FOREIGN AFFAIRS

JAN 3 1977

January 1977 *$3.00 a copy*

THE MULTINATIONALS *Raymond Vernon* • CHINA: SELF-RELIANCE OR INTERDEPENDENCE? *Ross Terrill* • FRENCH COMMUNISM'S "NEW POLICY" *Jean Kanapa*

200 YEARS OF AMERICAN FOREIGN POLICY

AMERICA AND EAST ASIA *John Paton Davies* • U.S. FOREIGN ECONOMIC POLICY, 1776-1976 *Charles P. Kindleberger*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FOREIGN AFFAIRS

JANUARY 1977

Storm over the Multinationals: Problems and Prospects
Raymond Vernon 243
Troubled World Economy . . . . . *Lawrence A. Veit* 263
A "New Policy" of the French Communists? . . . *Jean Kanapa* 280
China and the World: Self-Reliance or Interdependence?
Ross Terrill 295
The Congress, the Executive and Intermestic Affairs:
Three Proposals . . . . . *Bayless Manning* 306
On Learning to Live with Authoritarian Regimes
Marshall D. Shulman 325
The Naval Balance: Not Just a Numbers Game
Admiral Stansfield Turner 339
A Navy to Match National Purposes . . . . *Michael Krepon* 355
TWO HUNDRED YEARS OF AMERICAN FOREIGN POLICY
America and East Asia . . . . . *John Paton Davies* 368
U.S. Foreign Economic Policy, 1776–1976
Charles P. Kindleberger 395
Comment and Correspondence 418
Recent Books on International Relations 425
Source Material . . . . . *Janet Rigney* 444

WILLIAM P. BUNDY
Editor
JAMES CHACE
Managing Editor

JENNIFER SEYMOUR WHITAKER
Associate Editor

LUCY EDWARDS DESPARD
Book Editor

BARBARA GIBSON SCHWARZ
Assistant to the Editor

EVELYN G. MOREL
Assistant to the Managing Editor

DORIS ELIZABETH FOREST
Associate Publisher

GRACE DARLING GRIFFIN
Director, Advertising and Promotion

MARY JANE CASSOTTA
Staff Assistant

SHEILA M. ROSENZWEIG
Staff Assistant

Editorial Advisory Board

A. DOAK BARNETT
C. FRED BERGSTEN
JAMES H. BILLINGTON
HARVEY BROOKS
CARL KAYSEN
WILLIAM L. LANGER
JOHN J. MCCLOY
HARRY C. MCPHERSON, JR.
WILLIAM M. ROTH

Vol. 55, No. 2. Copyright 1976, Council on Foreign Relations, Inc. Printed in the U.S.A.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDITOR'S NOTE

Over the years, *Foreign Affairs* has inevitably had a small quota of errors of fact or proofreading, corrected subsequently through an Errata entry at the end of following issues. However, one point in the October issue calls for a word here.

The late Fiorello La Guardia, Mayor of New York in happier times, used to say (with a candor rare in any Estate): "When I make a mistake, it's a beaut!" So it was with the map that appeared with the article by Yigal Allon, Foreign Minister of Israel. Attempting to clarify the broad outlines of Mr. Allon's proposal for the reader, we inserted on our map of the area lines labeled "illustrative" to show the approximate location of possible borders and "strategic defense zones" mentioned in the article. Unfortunately, the time was then too tight to permit clearance of this rendering with the author, and upon publication, Mr. Allon rightly pointed out publicly that he had neither submitted nor approved the map. We for our part have already confirmed these statements and now do so again, with our renewed apology to him and to readers who may have been misled or may not have picked up the earlier correction. For the record, it is our practice to check any changes with our authors, and the confusion caused by the map has underlined our commitment to this principle.

In this issue, we have made modest further changes in format. The new outside cover and article headings have been designed by Elton Robinson of New York, to whom our gratitude. Again we would be happy to hear from readers on these changes, as on the substance of articles.

The articles in FOREIGN AFFAIRS *do not represent any consensus of beliefs. We do not expect that readers of the review will sympathize with all the sentiments they find there, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries* FOREIGN AFFAIRS *can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. It does not accept responsibility for the views expressed in any articles, signed or unsigned, which appear in its pages. What it does accept is the responsibility for giving them a chance to appear there.* The Editors.

Foreign Affairs is published quarterly by the Council on Foreign Relations, Inc. Editorial Office, 58 East 68th Street, New York, N.Y. 10021. The Editors will consider manuscripts submitted, but assume no responsibility regarding them. Cable address Foraffairs, New York. Payments and inquiries concerning subscriptions and reprints of articles should be sent to *Foreign Affairs,* 428 East Preston Street, Baltimore, Md. 21202. Subscription price U.S./Canada $12.00—Foreign $14.00 per year.

Foreign Affairs is a member of The Leadership Network advertising group located at 230 Park Avenue, New York, N.Y. 10017. Telephone Robert F. Sennott, Jr., 532-2500 in Suite 321.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Raymond Vernon

STORM OVER THE MULTINATIONALS: PROBLEMS AND PROSPECTS

Just a few years ago, multinational enterprises were busily and profitably occupied in spreading their subsidiaries across the globe. Today, the world is awash with actions and proposals that would restrain the multinational enterprise and would alter its relations to nation-states.

There is no lack of explanations for the shift in mood and direction. Yet most explanations seem to ignore the real causes of the tension between multinational enterprises and nation-states, and most of the prescriptions seem impractical or irrelevant in dealing with those causes.

What are the roots of the tension between the enterprises and the states? Perhaps the most proximate cause has been the revolutionary shrinkage in international space over the past two or three decades, brought on by the introduction of new modes of international communication, including the radio telephone, jet air travel and the computer. The shrinkage of space has succeeded in narrowing the gap in consumer tastes between one country and the next, bringing aspirins and plastic pails and McDonald hamburgers into the remotest corners of the world. The same development has helped to reduce the differences among producers in different nations in their choices of machinery and industrial processes.

These developments have created the basis for a new state of interdependence among nations, manifested in higher levels of international trade, a greater flow of technical services across borders, and larger movements of international capital. At the same time, the shrinkage of space has provided enterprises everywhere with a new impetus for spreading outward from their home bases. Worldwide operations have offered increased opportunities for enterprises to

---

Raymond Vernon is Director of the Center for International Affairs and Herbert F. Johnson Professor of International Business Management at Harvard. He is the author of *Sovereignty at Bay: The Multinational Spread of U.S. Enterprises* and other works. This article is adapted from the final chapter of his book, *Storm over the Multinationals: The Real Issues,* to be published by the Harvard University Press in the late spring of 1977. The key generalizations in this article rest mainly on research that is presented in that book. Copyright© 1977 by The President and Fellows of Harvard University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

profit from innovations or trademarks or patents, to develop new economies of scale, and to reduce their risks by spreading their operations over a number of different countries.

In the beginning, the largest enterprises in the industrialized countries, especially the leading firms of the United States, were in the vanguard of the movement. Soon, however, firms from Europe and Japan were crowding at the heels of the leading U.S. firms in the movement to foreign countries. Eventually smaller firms from everywhere followed close behind the larger. Today, the signs of multinational spread can be seen even among enterprises based in the developing countries, such as the enterprises of Mexico, India, Brazil and Taiwan.

The multinational spread of enterprises, as is evident, has generated powerful tensions and stirred sharp reactions, both in developing countries and in the industrialized nations, among many leaders in government, business, labor and other activities. One reason for these reactions has been crystal clear. Many leaders have associated the growth of multinational enterprises with some of the endemic ills of the modern industrialized world itself, including the efforts of various countries to create regional or wider areas of hegemony, the presence of corruption in high places, the pervasive waste and inequities in the distribution of the rewards, and the pollution and degradation of the environment.

The association between multinational enterprises and these universal ills has been natural enough, perhaps even unavoidable, in view of the prominence of leading multinational enterprises in the modern world. But the association is grossly misleading in one critical respect. Hegemony, corruption, waste, inequity and pollution are not the special hallmarks of the multinational form of enterprise. Although the degree and the style differ from one country to the next, these disconcerting features of contemporary life are no less prominent in the Soviet Union and Eastern Europe, where multinational enterprises are virtually barred; or in Japan, India, Nigeria or Mexico, where multinational enterprises are substantially restrained.

The tensions that are associated with the multinational enterprise arise from another source as well, namely the growth of economic interdependence among national economies. As nations have been drawn together by various economic links, some national leaders have been alarmed by the restraints that these links seemed to impose upon national autonomy and national choice. Although the links have appeared indispensable for continued growth, they also have seemed at times to threaten some of the national goals for which the growth was

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

intended, including national stability, egalitarianism, participation and protection.

Yet a state of interdependence may be created in many ways that do not necessarily require the existence of multinational enterprises: by international trade, international licensing and international borrowing, for instance, among parties operating at arm's length. Once again, countries such as the Soviet Union, India and Japan illustrate the point: their controls over the multinational enterprise have not succeeded in holding down the trend of these countries toward increasing involvement and interdependence with the rest of the world.

Nevertheless, it is not surprising that the multinational enterprise should be used as the crystallization and epitome of the trend toward interdependence. Multinational networks have special characteristics which heighten the sense of interdependence in the nations where the enterprises are implanted. Wherever such enterprises operate, the link between national economies is made tangible by the presence of an affiliate that forms part of a multinational network. Unavoidably, each affiliate includes the elements of a double personality. It is an entity created under the laws of the country in which it operates, responsive to the sovereign that sanctions its existence. Yet, at the same time, as a unit in a multinational network, each affiliate must also be responsive to the needs and strategies of the network as a whole.

The result is that each unit is inescapably the target of a set of influences that stem from many quarters: first and perhaps foremost, from the government of the country in which it is located; second, from the government of any other country that is in a position, by force or persuasion, to influence the behavior of the network; and third, from the managers of the multinational system, acting in accord with their own strategies and needs.

The multiplicity of influences to which any affiliate of a multinational enterprise is potentially exposed has preoccupied national leaders, and has created a fertile background for speculation and foreboding over their effects on the national economy. Some of that speculation has been related to fact; much of it has been very wide of the mark.[1] But no matter: the fact that an entity inside the gates is exposed to the direct commands of outsiders is a deeply disturbing fact.

Even as national leaders have been disturbed by the growth of multinational enterprises, many of them have sensed that their bargaining power has actually been increasing in their dealings with such enterprises. Observers have tended to attribute this seeming shift in bargaining power to a variety of causes. Some attribute it to an in-

[1] The available research on these effects is summarized in *Storm over the Multinationals, op. cit.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

creasing world demand for certain key materials, such as oil or iron ore; some to an increasing political cohesion among the countries that are determined to face down the multinational enterprise.

As I see it, however, the increase in bargaining power of national governments, where it has occurred, is typically due to the same factors that have created the growing state of interdependence. With the shrinkage of international space and the improvement of international communication, some of the capital, technology, or access to markets that multinational enterprises have offered to host countries has been matched by rival offers from other sources. Sometimes the rival offerer has been another multinational enterprise, prepared to perform the same economic function; but sometimes the challenge has come from an independent licensor of technology or from a lender of funds. Wherever rival sources have appeared, their rivalry has diluted the unique strengths of any single enterprise and has weakened its bargaining position.

The realization of national leaders that their bargaining position might be increasing in individual cases, however, has proved cold comfort. Over all, the role of multinational enterprises as a class has been growing, not declining. And in their efforts to deal with that growth, national leaders have cast about for countermeasures which might hold the multinational enterprise in check.

II

Although the tensions associated with multinational enterprise have been similar from one country to the next, the leaders of the developing countries for obvious reasons have experienced far higher levels of tension than have those in the industrialized nations. The efforts of the developing countries to deal with these tensions, therefore, have had some distinctive characteristics.

One clear line of policy in many developing countries has been to provide support to local public and private enterprises in their efforts to find untied sources of foreign capital and technology, and to develop their own channels to local and foreign markets. With that objective in mind, governments have imposed special taxes on the income of foreign-owned subsidiaries, ceilings on license fees paid by local licensees to foreign licensors, limitations on foreigners' use of local credits, requirements for the sale of equity to local interests, and so on.

The vigor with which developing countries have applied such regulations has generally been influenced by the strength of the bargaining position of the multinational enterprises they confronted. Multi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

national enterprises that had nothing unique to offer or to withhold at the time when the pressure was being applied have been especially vulnerable. But those with special strengths could usually count on seeing such regulations applied with caution and restraint.

In spite of the fact that governments of developing countries have been able to extract added benefits from some of the subsidiaries of foreign-owned enterprises, their uncertain progress toward autonomy has left important groups in these countries preoccupied and frustrated. Accordingly, even as these countries have pushed their efforts at the national level, they also have tried to improve their positions through joint international action. The multinational enterprise, therefore, has figured centrally in the broader North-South confrontation.

One international effort, widely advertised for its apparent effectiveness, has been focused in the Organization of Petroleum Exporting Countries. OPEC's role in the quadrupling of crude oil prices in 1973 and 1974 has been universally interpreted as the sign of a vast shift in power. With the passing of time, however, early impressions regarding the extent of the shift have been modified. First, oil in the mid-1970s proves to have been a rare case, which rested on a special set of economic factors. Second, OPEC's seeming success required first of all an undermining of the powers of the established leaders in the oil industry, a condition which was achieved mainly by the entry of additional international oil companies. Finally, the OPEC countries do not seem to have freed themselves from the need for dependency on the leading international companies. OPEC, it appears, has not yet acquired the power to dominate the international markets by brute force alone.[2]

Another group effort, antedating OPEC, also is of interest in assessing the speed and direction of change. This was the adoption in 1969 of Decision 24 of the Andean Pact. The Decision represented an extraordinarily bold effort on the part of five (later six) countries of Latin America to pool their economic power in a joint policy toward multinational enterprises. The policy itself seemed to break new ground in many different respects. In principle it denied to foreign-owned enterprises the advantages of the incipient free trade area among the Andean Pact countries, unless the enterprises committed themselves to a divestiture program that would place majority ownership and control in local hands. Foreigners' participation in public

[2] For a strongly dissenting evaluation, which assigns a much stronger role to OPEC, see D. A. Rustow and J. F. Mugno, *OPEC: Success and Prospects,* New York: New York University Press (for the Council on Foreign Relations), 1976.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

utilities, the communication industries, banking, and raw materials was to be limited. The contractual ties between foreign parents and their local subsidiaries, such as licensing agreements and loans, were to be restricted in such a way as to prevent the draining off of added profits.

The actual application of these extraordinary provisions, however, has been quite limited. Chile, for instance, disregarded the provisions during most of the period of its membership, then withdrew from the Pact altogether. Others, including Colombia, have made the most of the Decision's various loopholes. Peru, which once seemed determined to enforce the extraordinary provisions, eventually veered away from a policy of strict enforcement. The multinational enterprises themselves have muted their early position toward the Decision, seemingly content on the whole to let the divided interests inside the signatory countries hold its restrictive provisions in check. Nothing is quite the same as it was before the Decision was adopted; but neither is anything very different.

The developing countries have been pressing on still another international level, one that is more comprehensive and more universal. In the various organs of the United Nations, the so-called Group of 77—actually representing the hundred or so developing countries of the world—have established a common front on the subject of the multinational enterprise, one that has been remarkable for its cohesiveness and strength. On issues relating to such enterprises, political enemies have buried their differences and voted en bloc—Iraq with Syria, Ethiopia with Somalia, Sudan with Libya, India with Pakistan, Zaïre with Angola, Brazil with Cuba, and so on.

In order to hang together, however, individual countries have had to disregard vast differences in ideology and interest among them. Accordingly, the common position has been limited to a list of demands to be made on a common adversary. Capital, technology and access to markets, the group agrees, should be provided from the industrialized countries on easier terms. The industrialized countries should recognize the inherent right of the developing countries to preferential terms in access to technology, and should use governmental powers to compel their enterprises to offer such terms. Moreover, the industrialized nations should finance a large fund for the stabilization of commodity prices, and they should acknowledge their joint and several responsibilities to do everything necessary to help in all other respects. Meanwhile, each developing country should remain free to take any further measures that in its opinion would contribute to its national objectives.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

At the same time, various U.N. organs have been offering facilities to the developing countries intended to improve their position in dealing with their multinational enterprises. A Center on Transnational Corporations, set up in 1975, promises not only to contribute to the stream of information regarding such enterprises, but also to provide direct technical assistance to developing countries that are faced with difficult problems in regulation or bargaining. And standing in the wings are a half-dozen different projects for imposing codes of conduct of various sorts upon the multinational enterprises that operate in developing countries.

So far, the collective demands of the developing countries have been exceedingly general. Most of them are aware that efforts to define their interests in more explicit terms would run the risk of exposing the underlying conflicts, both within the borders of each of them and among the leaders in the group. The existing efforts, therefore, can be counted on mainly for their atmospheric effects, to stiffen the systems of national administration and national regulation in some developing countries. Meanwhile, individual countries continue quietly to offer tax holidays and preferential exemptions from local regulations to many prospective foreign investors. Meanwhile, too, multinational enterprises continue to protect their positions in developing countries by appearing indispensable, and where their indispensability is on the wane, to bolster their bargaining position through the development of new capacities and new functions.

All told, developing countries may gain a little from their international efforts, by improving their negotiating position a little faster than otherwise would occur. Nevertheless, for most countries, interdependence in some form or other seems likely to grow, not to decline. Whether it is accompanied by a sense of inferiority and dependency or by a sense of equality and mutuality will turn mainly on the internal capabilities and self-perceptions of the leadership in each country.

III

The problems of the industrialized countries in dealing with the multinational enterprise are not wholly dissimilar from those of the developing nations. Most industrialized countries find themselves balancing the economic contributions of these enterprises against the need for a sense of national control. In most industrialized countries, too, there is the problem of reconciling the diverse interests of the various domestic groups affected by the operations of these enterprises.

Now and then the strains have been strong and visible.

Take the case of France in the 1960s. Under the leadership of Gen-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

eral de Gaulle, the objective of holding the Anglo-Saxons, especially the Americans, at arm's length and of forging an independent political course for France became a major national objective. France withdrew its contingent from NATO's armed forces, vetoed Britain's entry into the Common Market, and flirted ostentatiously with the Soviet Union. Yet all through that period, under a case-by-case licensing procedure administered by the French bureaucracy, the subsidiaries of firms from the United States, Britain and the rest of Europe were being admitted liberally into the French economy.

The reason for the disparity between France's objectives and France's policies, quite simply, was that the price of independence had grown so high. Recognizing the costs of an autarkic policy, France had opened up her borders to the goods of her European neighbors and to other countries including the United States. If France excluded the foreign-owned subsidiaries, therefore, she would not be excluding their products; these could still enter the French market as imports. Besides, the establishment of foreign-owned subsidiaries inside France was useful in other ways. A Ford Motor Company proposal to set up a plant in Bordeaux mobilized a wave of support from local political interests; an offer of General Electric was used to rescue a sick Machines Bull; an offer of Honeywell to rescue General Electric; and so on.

The Canadian case carries similar overtones. From the 1950s on, the growing concern of many Canadians over the threat of being swamped by the oversized economy to the south could be seen in a steady stream of official and unofficial studies and reports. Yet the most potent step taken by the Canadians until the 1970s was one that was calculated to expand the role of multinational enterprises in a key Canadian industry, not to contain it. This was Canada's initiative in 1965 supporting a North American Automotive Agreement, a project that integrated the Canadian subsidiaries of U.S. automobile firms more firmly and extensively into the U.S. market. The explanation for avoiding a restrictive regime was the same as that of France. Any measures taken against the steady tide of foreign investment generally carried some risks to specific Canadian interests. The Canadian need for capital and technology, for instance, seemed insatiable. Besides, an irrepressible rivalry among Canada's semiautonomous provinces complicated the mix. Francophone Quebec, unwilling to be outdistanced by the Anglophone areas, was eager to invite multinational enterprises in. And the relatively poor maritime provinces of Nova Scotia and Newfoundland were determined to capture a share of the prosperity of the provinces surrounding the Great Lakes.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Although the United States is commonly thought of as the main source and support of multinational enterprises, U.S. policies toward the multinational enterprise can be interpreted in much the same light. U.S. measures in the field of capital export controls, trade and taxation, all affecting the multinational enterprise, have had to be tailored to the inescapable fact that some internal interests of the United States see themselves as served by restrictive measures in these areas while other internal interests see themselves as hurt by such measures.

Multinational enterprises now play a large role in the national economies of most industrialized countries. As long as those countries maintain representative governments, the interests of those enterprises will—and on any theory of representative government, should—carry considerable weight. In the decade or two just ahead, those in the industrialized countries who see their interests in strengthening the individual states will continue to struggle with those who see their interests in operating globally. Part of the struggle will take place inside each nation. But part will surface in international organizations.

The organs of the European Economic Community, for instance, have struggled valiantly to secure the adoption of a European program tailored to special problems associated with the multinational structure. Among other things, the proposals cover problems of taxation, employment, competition and disclosure. But so far, progress has been insignificant, as both the multinational enterprises and the national governments have tended to resist any relevant action.

The Organization for Economic Cooperation and Development, on first blush, seems to have made a little more progress in taking the edge off some of the tensions among industrialized countries that are associated with the expansion of multinational enterprises. The OECD organization has helped to create a model bilateral tax treaty, and has developed consulting mechanisms that could head off international disputes over the application of national security controls and antitrust laws. But observe how that result has been achieved. The bilateral tax treaties have consisted mainly of agreements on the part of both sides to pull back from levies and practices that might pinch business enterprises too painfully. The antitrust consulting procedures have also led to a pulling back; they have reduced the probability that any country would unilaterally apply its national antitrust laws, but they have not introduced in their place an effective way of dealing with the problems of international restrictive business practices. As for the consultation procedures on security controls, these have in general mitigated the force and the reach of restrictive U.S. measures and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

have placed the foreign subsidiaries of U.S. firms nearer to a parity position with their foreign competitors; but they have not improved the international machinery for dealing with the security issue. The tension has been reduced mainly by nations' agreeing to pretend that no common international problem existed.

One OECD-sponsored exercise that has taken a more affirmative approach is a set of guidelines adopted by OECD governments in 1976, which OECD member governments "jointly recommend to multinational enterprises operating in their territories." The adoption of the code is voluntary, and its application unenforceable. But the enterprises that adopt the recommended guidelines will presumably be entitled to an extra modicum of goodwill from host governments. Under the guidelines, the multinational enterprises will publish information about their global operations that is somewhat more ample than such enterprises customarily provide, notably some added data by product line and by geographical area. The enterprises will undertake to avoid practices that might have anticompetitive results, such as buying up competitors and imposing discriminatory prices on buyers. They will provide information that national tax authorities might require about the operations of their networks in other countries. And they will adhere to a set of practices in labor relations that for some firms might represent a change from existing practices. For instance, they will undertake to try to mitigate the effects of a plant shutdown, to avoid threats to shut down an existing facility, and to negotiate in good faith with employee groups.

On the whole, the code can be seen as a cautious, evolutionary step in a long process of accommodation between the needs of the nation-states and those of the enterprises. But it has almost ostentatiously avoided any recognition of one of the basic sources of the tension, namely, the fact that any affiliate in a multinational network must be responsive in some degree to the imperatives of a global strategy, and that any such affiliate—whether parent or subsidiary—is exposed in some measure to the influences of more than one government. Codes on the OECD pattern, therefore, still leave largely unresolved most of the underlying problems.

IV

If history could be counted on to move in reasonably straight lines, the outlook for managing the tensions between multinational enterprises and national interests would not be altogether foreboding.

First of all, some trends are visible that could very well reduce the sharp differences in viewpoint between the developing countries and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the industrialized countries. Some countries that now place themselves in the developing category—Brazil, Mexico, Iran, India and half a dozen others—are changing rapidly. These may find themselves supporting, in their national interest, policies that are not unlike those of the industrialized nations. That shift could occur as local entrepreneurs in such countries increase their capacity for assembling capital and technology and for building up effective access to their foreign markets. It will be accentuated even further as the local firms move ahead with the establishment of their own foreign operating subsidiaries. In that event, it is true, the search of these countries for their particular Holy Grail will be set back—their sense of autonomy will be reduced and their elbow room will shrink. But a few nations have demonstrated their capacity gradually to abandon that goal without enduring trauma, as evidenced by the relatively relaxed state of the Scandinavian countries, the Netherlands, and Singapore.

Most developing countries, however, are unlikely to give up their persistent search for autonomy and choice. As long as they lack the internal resources to fill their compelling need for capital, technology and market access, they will continue to feel threatened by their need to draw on foreign-owned enterprises. With an improvement in the capacity of those countries for administration and negotiation, the sense of tension may conceivably be held in bounds. Moreover, the decline in tension could be accelerated a little if—or, perhaps, as—the role of the multinational enterprise is determined and constrained by international commodity agreements negotiated in the raw materials area. In addition, managerial contracts and other ambiguous arrangements with foreign enterprises may also provide the governments of developing countries with a sense of increased control over the multinational enterprise. The real role of the multinational enterprise may not decline in critical respects, such as control of the channels by which a developing country gains access to foreign markets. But the tone and form of participation on the part of developing countries could change sufficiently to take the sharp edges off the tension.[3]

As for the role of multinational enterprises among industrialized countries, a projection that is based on the assumption of gradual change has to confront two linked problems: one is the outsized proportions of the U.S. economy; the other, the unfinished state and uncertain future of the process of European integration.

As long as the U.S. economy continues to enjoy the relative advantages associated with sheer size and diversity, it is difficult to picture

[3] David N. Smith and Louis T. Wells, *Negotiating Third-World Mineral Agreements,* Cambridge, Mass.: Ballinger, 1975, pp. 37–53.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a set of altogether tranquil relations among industrialized countries on problems relating to the multinational enterprise. In the field of high technology, the buying and financing power of the U.S. government will serve as a constant irritant. The lesser vulnerability of the U.S. economy to the effects of transactions across its borders will add to the irritation. Finally, the propensity of European and Japanese firms increasingly to set up subsidiaries in the U.S. market will add to the worries of governments in the home countries, as some of the managerial attention and financial resources of these firms is diverted to the U.S. market.

If the U.S. economy were persistently to gain advantages from its relative size and relative autonomy, Europe might conceivably be compelled to respond. In that case, defying the standard prediction of present-day observers, European governments might find themselves pushed to a state of integration which was capable of matching the advantages that the U.S. economy provides. That would require a considerable movement in the direction of a unified European policy toward high technology, a unified monetary area, and a capacity for effective negotiation with outside countries.

If Europe should develop that capacity, however, a great deal would depend on how the capacity was used. Bargaining between a united Europe and an outsized America could produce some sort of consensus on critical issues and some new degree of tolerance for their growing interdependence; or it could produce a new level of hostility among equally matched adversaries. If the new matching of power led to easier consensus and greater tranquillity among the industrialized countries, it could establish a basis for renewed leadership in the world. In that case, leaders in the developing countries would probably see the partnership of the rich as a threat foreshadowing a new hegemony. A reduction in one area of tension would then be counterbalanced by a rise in another.

V

History, however, has a habit of following a crooked course. New factors, not in the gradualist's predictive model, are bound to appear. Although factors of this sort cannot all be foreseen, a few are already so tangible that they merit a word or two of speculation.

One of these is the possibility that command economies, such as the Soviet Union, may find themselves compelled to create their own crop of multinational enterprises. No crystal ball can be expected reliably to project the full consequences of such a development. What is clear is that whenever the multinational enterprise is thought to be

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

linked directly to the decision-making apparatus of any government, it is likely to prove a particularly troublesome institution for other nations to abide. The saving grace that has led governments so far to tolerate the foreign subsidiaries of state-owned enterprises, such as the subsidiaries of British Petroleum, Renault and Volkswagen, has been the obvious disarticulation of those enterprises from the apparatus of government. But how far that tolerance will go is a highly uncertain question.

Another source of disruption could originate in the United States. Studies of the attitudes of American leaders in the latter 1970s seem to be agreed on a number of key points. Such leaders seem to accept the fact that the nation-states of the world are headed for an increasing degree of interdependence, and that the U.S. economy will be involved in that trend along with all the others. But another powerful element is found in U.S. thinking, a mood rather than a projection. There is a sense of pique and resentment, a feeling that the rest of the world is using Americans as a punching bag for their own inadequacies and frustrations. Americans are disconcerted by the fact, for instance, that the specter of the CIA is trotted out by foreign commentators as the likely cause of any misfortune, from poor crops and adverse trade balances to earthquakes and train derailments. The resentment is coupled with a strong sense among many of the U.S. elite—a sense not altogether inconsistent with the evidence—that most countries need the cooperation of the United States more than the other way around.[4]

From the viewpoint of many Americans, therefore, it is tempting to consider a policy in which the United States uses its brute bargaining power unilaterally, through channels of its own choosing, and reduces its participation in institutions such as the General Agreement on Tariffs and Trade, the International Monetary Fund, the World Bank, the International Energy Agency, the various international commodity agreements, the Organization of American States, and the United Nations. The overseas interests of U.S. enterprises, according to this view, would be protected not by the forbearance and cooperation of host governments but by the economic and political clout of the United States; and whatever the effects might be on the welfare of the world at large, U.S. welfare might conceivably be improved.[5] If the United States should decide to adopt that line of policy, a new

[4] See B. M. Russett and E. C. Hanson, *Interest and Ideology: The Foreign Policy Beliefs of American Businessmen*, San Francisco: W. H. Freeman, 1976, p. 96.

[5] For surveys of U.S. leadership opinion that closely reflect this mood, see *FPA Outreacher*, Foreign Policy Association, New York, 1976; also Russett and Hanson, *ibid.*, pp. 77, 271.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

volatile element would be thrown into the mix, and projections about the multinational enterprise could prove very wide of the mark.

But the most likely sources of major discontinuities come from the developing world. On the whole, the developing countries do not have quite as much capacity for upsetting the institution of the multinational enterprise as do the leaders of the industrial world. For one thing, multinational enterprises still do over two-thirds of their business in the industrialized countries; for another, the multinational enterprises are in a position to bargain more effectively with a hostile developing country than with a hostile industrialized nation.

One strong possibility is that the objective conditions which helped to propel the Group of 77 into a position of seeming strength would reverse themselves. It took a brief, spasmodic shortage in some key raw materials during the early 1970s to reveal that the developing countries were in a position to bargain more effectively with the strength provided by their resources. But the history of capital-intensive standardized products, such as oil, metals and chemicals, includes periods of recurrent surplus. And the decline in the concentration of the world's industrial structure in these products, plainly indicated in various studies, carries powerful implications for the future behavior of the markets in these products, including a decline in the power of the leaders to hold up prices if a period of surplus should develop.

Not only has the number of producers in standardized products been growing at a rapid rate; many of the added producers are new to their markets, and are casting about for dependable outlets. In the Middle East, Latin America and elsewhere, state-owned enterprises are appearing in petrochemicals, chemicals, aluminum and copper, determined to establish a place in world markets.[6] In some cases, these enterprises are assiduously cultivating the markets of socialist countries. But these enterprises are usually aware of the fact that socialist countries make major decisions to import, export or shift their trading partners through a central mechanism; accordingly, they are capable of even more abrupt shifts in their trading patterns than capitalist countries. As a result, not many of the new producers are willing to place all their eggs in one socialist basket, and many have been pushing to find outlets in capitalist countries as well.

[6] See for instance, L. G. Franko, "Multinational Enterprises in the Middle East," *Journal of World Trade Law*, vol. 10, no. 4, August 1976, pp. 307–333; Ralph Landau and A. I. Mendolia, "An American View of Chemical Investment Patterns in the Era of High Energy Costs," *Chemistry and Industry*, December 6, 1975, p. 1011; "Large Projects in Mideast Getting Second Look," *Business Japan*, August 1976, p. 23; and R. B. Stobaugh, "The Evolution of Iranian Oil Policy," in *The Crown of the Pahlevis: Modernity and Tradition in Iran*, ed. George Lenczowski, Palo Alto: Hoover Institution Press, 1976.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The risks that the new sellers may prove to be a destabilizing market force are increased a little by the fact that a considerable proportion of them are state-owned and state-managed. In spite of an occasional exception such as Saudi Arabia, the state enterprises of most countries commonly have stronger reasons than private enterprises for continuing to operate at high levels of output in the face of a softening in world demand; mines operated by state-owned enterprises, for instance, cannot easily cut back on production if employment will be affected.

If sharp price declines actually develop, the declines no doubt will stimulate proposals for intergovernmental commodity agreements. But various factors are likely to interfere with the prompt consummation of effective agreements. One of these is simply the increasing number of producers involved. Another is the disparity in the viewpoints of the producers; the state-owned enterprises of the developing countries, freshly hatched with a mandate to achieve independence for their national economies, cannot be expected to see eye to eye with the old dominant leaders from the industrialized countries.

Moreover, in products such as aluminum and copper, producers headquartered in the developing countries face the disconcerting fact that the multinational enterprises established in the industrialized countries are making some progress toward sloughing off their reliance on supplies from "unsafe" sources. In oil and its derivatives, the outlook is more problematic; all depends on the effects that higher oil prices may be having upon the long-run demand for oil, as well as on the size and timing of production from the North Sea, the U.S. East Coast, China, Mexico, the U.S.S.R. and other such sources.

In any event, if the threat of surplus develops, the instinct of the leaders headquartered in the industrialized areas will be to try to secure a favored position for their "safe" supplies within the markets they have historically controlled. Since most of them maintain processing and distribution networks on both sides of the Atlantic, their interests could easily lead them to press for a protected area whose outer bounds covered the markets of the industrialized world. Access to the area would be available first of all to the products originating inside it, and secondly to favored suppliers from the developing countries.

The history of international commodity arrangements offers plenty of illustrations of patterns such as these. In sugar, for instance, the U.S. market has been linked by quotas mainly to Latin America, Britain's mainly to the Commonwealth, and Europe's mainly to ex-colonies in Africa. And in oil, the U.S. market has been regulated in times of surplus on a similar principle.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

That threat, or something like it, is one major reason why Saudi Arabia, Iran, Kuwait, Yugoslavia and others have been willing to consider entering into joint ventures with Western firms. As a strategy, this approach may very well pay off for the developing countries that pursue it. At the same time, however, these links will tend to differentiate the interests of the different suppliers from developing countries and will weaken their ability to hang together in an effective bargaining bloc.

If the negotiating position of the developing countries should visibly deteriorate, some of them may be tempted to deal with their problems by imposing a higher degree of central control upon the national economy, emulating the Soviet pattern. But the success of such a strategy depends on a strong capacity for organization and a strong technical nucleus, such as China is said to have; and so far these qualities are exceptional among the developing countries. In recent years Indonesia, Egypt, Ghana and Peru, among others, have had to pull back from their highly centralized systems in order to allow their economies to operate. In pulling back, they have tried to make a place for foreign-owned enterprises to operate, on one basis or another, inside the national structure.

Because the alternatives are so costly and so uncertain, the developing countries that limit the role of the multinational enterprise in numerous ways are unlikely to exclude it. The ability of such enterprises under various arrangements to use and reuse from one country to the next their information, access to markets, and trade names may prove to be relatively unimpaired. Accordingly, the sense of nakedness and uncertainty on the part of many developing countries may well continue high.

VI

Neither the multinational enterprise nor the nation-state shows much evidence of losing its vitality in the world economy. Multinational forms of enterprise are still emerging in various forms in response to every new advance in international communication and transportation. And national programs intended for social betterment are still being hatched at a prodigious rate. At the same time, very few of the programs and policies presently being proposed seem likely to reduce the tension between multinational enterprises and national interests. The developing countries are still concentrating on the strategy of getting more, to the exclusion of other objectives. The leaders of the industrialized countries have learned to talk about a new state of interdependence, but they have not yet assimilated the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

extraordinary implications of the conditions they profess to recognize. And the managers of multinational enterprises for the most part are still at the stage of hoping that the tension will somehow go away.

One necessary condition for constructive action is to sort out some of the problems that are only partially related to the multinational enterprise, and to recognize that these problems cannot be treated very effectively by any program that is targeted at the multinational enterprise alone. The problems that arise out of the growing interdependence of nations illustrate the point. Whatever benefits multinational enterprises may claim to bring to any country, they do contribute in various ways to reducing the economic meaning of national boundaries. Nevertheless, the multinational enterprise is not the prime cause of that interdependence. As was suggested earlier, the increased efficiency of the means of international communication has created the trend, and the multinational enterprise is much more a manifestation of that fact than a cause. But there is a widespread belief to the contrary, and a resulting expectation in many countries that exorcising the multinational enterprise will greatly alleviate a gnawing sense of interdependence and vulnerability. As long as that misapprehension exists, it will be difficult to focus on the problems that are genuinely due to the multinational structure of enterprise.

The same point can be made with regard to some of the other major worries that are widely shared by national leaders in many countries—the emptiness, the corruption, the inequities and the ugliness that so often accompany the industrializing process. Here again, it is commonly assumed that these problems will be greatly reduced by a program of control over the multinational enterprise. Yet as I read the evidence, the disposition of any enterprise to corrupt, pollute or waste has not been greatly affected by whether an enterprise is widely multinational or narrowly national, state-owned or privately owned.

Nevertheless, the world's policymakers are right when they identify certain problems directly with the multinational structure of enterprise. Most of these problems stem from the ineluctable fact that the multinational enterprise is exposed simultaneously to various national jurisdictions. Accordingly, any government which is in a position to seize some sensitive part of the anatomy of a multinational network has the potential for influencing the rest of the network as well; when Mexico demands that its foreign-owned automobile subsidiaries export their components to other markets, São Paulo and Detroit are bound to suffer. At the same time, any action or reaction that emanates from the headquarters of the multinational network, whether or not it was induced by its home government, generally has repercussions

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

beyond the jurisdiction in which the headquarters sit.

The problem of multiple jurisdictions, as it turns out, adds new complications to practically every issue that nations would normally classify under the general heading of industrial policy. These include, for instance, policies that are aimed at creating jobs, reducing inequitable income differences between classes and regions, ensuring the availability of scarce national supplies and the benign functioning of markets, securing tax revenues, promoting consumer safety, protecting the environment and safeguarding national security. The very breadth of the agenda causes policymakers to flinch and draw back.

Not only is the agenda unusually broad; it is also unusually sensitive. Subjects such as taxation, subsidy, competition and security controls go to the heart of domestic politics. Inside any nation, the struggle between competing interests—between labor and capital, or between rich taxpayer and poor taxpayer—is settled by a variety of devices: by diktat, by law, by court process or by strike. When an international dimension exists in the war among the interests, cutting across nations, no obvious machinery exists for settling the clash; the numerous transnational links that have been developing among like-minded groups in different countries, such as the links between business groups and the links between labor unions situated in different countries, are not yet strong enough to carry such heavy freight. Intuitively, therefore, national policymakers find themselves pulling back from an international approach to the multinationalizing trend.

Although the variety of subjects that appropriately belong on the agenda is somewhat appalling, many of them call for a somewhat similar international approach. One common need is to disentangle conflicting national jurisdictions, so that the unilateral actions of individual states will not have the effect, often inadvertent and unintended, of harming other states. That is what the OECD has sought to do, for instance, in its efforts to limit the extraterritorial reach of antitrust actions by national authorities. A second common need is to find a way for securing agreement among national authorities concerning the nature of the public action that may be needed.

Although these are the obvious needs, very few countries are in a mood to discuss those needs in the terms that I have suggested here. Certainly not the developing countries. One or another may be willing to bargain hard with individual enterprises, or to struggle over the terms of a new international commodity agreement; but, for the present, they are unable as a group to bargain realistically over a new regime that would reduce the tensions associated with the multinational form of enterprise.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

To the extent that international cooperation is conceivable at this stage, therefore, it consists largely of cooperation among the industrial countries. For them, the means of achieving the disentanglement of national jurisdictions would probably vary according to the subject matter. In some problem areas, it may be sufficient for sovereign states to enter into agreements which explicitly limit their jurisdictional reach; security controls, for instance, can conceivably be dealt with in this way. But other areas will require a set of common rules that shape and limit the application of domestic law, as well as ongoing institutions to administer the rules. In the field of taxation, for instance, avoiding a destructive clash of jurisdictions could require some agreed rules on how to calculate the profits of the multinational network, as well as rules on transfer prices and on the allocation of central administrative costs.

But disentangling national jurisdictions will not be enough in many cases. Affirmative international action also may be required. In the field of restrictive business practices, for instance, nations will have to go beyond a commitment to keep from treading on one another's toes, and will have to find the standards and the machinery for a collective response.

So far, the initiatives of governments have been trivial in relation to the issues. One cannot altogether overlook the modest initiatives of multinational organizations, such as the disclosure program of the U.N. Centre for Transnational Corporations and the OECD voluntary code. But they seem only marginally relevant to the problem of disentangling and redirecting national jurisdictions as they bear on the multinational enterprise. Besides, the effect of these initiatives is diluted even further by the insistent confusion over their purpose—whether that purpose is to deal with the special problems associated with multinational enterprise, or the more general problems of an industrializing society.

In the end, some nations—even developing nations—may eventually be persuaded to face up to the problem of uncoupling and remeshing their national jurisdictions in the handling of multinational enterprise problems. If they do, the progress is likely to come from the realization that failure to act will reintroduce, in a new and virulent form, the beggar-thy-neighbor policies that were so prevalent in international economic relations forty years ago. The fact that any government can exert some influence on all the units of a multinational network opens up possibilities for economic aggression and counter-aggression that have only begun to be exploited. Mexico's insistence that foreign-owned automobile plants in Mexico should

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

export their components to other markets could be countered by the insistence of other governments that their affiliates should be the ones chosen for that purpose. The demand of home governments that parents assess their foreign subsidiaries for a share of the network's central costs of research and administration could be countered by the insistence of other governments that no such payments should be made. The conflict of national wills could produce a stalemate for governments. Meanwhile, the cutting edges of the conflicting jurisdictions, pushing into the structure of the multinational enterprise, could produce a pattern of erratic and evasive actions in such enterprises that no government intended and that served no nation's interests.

In times past, nations have sometimes managed to head off a threatening escalation in the dangerous game of beggar-thy-neighbor. Thanks to various organizational agreements, for instance, tariff wars and competitive devaluations no longer pose quite the threat that they did in decades past. To be sure, the challenge of framing an acceptable international regime for the multinational enterprise is more formidable in many ways than the challenge posed by tariff wars and devaluations.

Moreover, at this juncture it is hard to detect among the leaders of government and business any disposition to begin serious work on building an acceptable international regime. But the time for constructive response has not yet run out. And these leaders may yet be persuaded that the existing strands of national and international policy add up to a situation that could inflict injury on all the interests concerned.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Lawrence A. Veit

TROUBLED WORLD ECONOMY

Doldrums or depression? The meaning of the latest economic indicators may be unclear, but at best they are signaling a pause in the economic recovery of the major industrialized nations and a new wave of political malaise. The speeches read by financial officials at the October International Monetary Fund-World Bank meetings in Manila extolled the economic improvements expected in 1976. Regrettably, however, most of these set pieces had been written before the August holidays, and when the ministers returned home many were confronted with the stark reality of economic stagnation, persistent inflationary pressure and balance-of-payments deficits. The first question, therefore, is whether the journalists are correct in labeling the current economic scene as a pause in the recovery or whether, in fact, it is the onset of a premature cyclical downturn.

The economic indicators can be read as part of a temporary loss of steam, but they may also augur a more fundamental downward shift in the potential growth rate of the by-and-large wealthy countries which comprise the Organization for Economic Cooperation and Development (OECD). The postwar economic boom may have finally run its course, and relatively high welfare and consumer satisfaction in most European countries, together with the constraints of ecology and limited natural resources, may now dictate a lower GNP growth rate than has been achieved during the past three decades—perhaps even zero growth. In addition, however dimly the social process may be perceived, increased questioning of the altered role of economic man within the state has itself set in motion modes of economic and political behavior which do not always serve to promote stability and confidence.

The self-interest of governments, which rightly regard economic stagnation as a threat to their tenure, argues against recession scenarios. But whether existing governments can reverse the direction of policy toward stimulation in time is by no means clear. Moreover,

---

Lawrence A. Veit, now International Economist and Deputy Manager at Brown Brothers, Harriman & Co., was formerly Research Fellow at the Council on Foreign Relations, 1972–75; U.S. Treasury Representative for India, 1969–72; and an economist at the State and Treasury Departments. He is the author of *India's Second Revolution: The Dimensions of Development* and co-author of *U.S. Investment Abroad and the Balance of Payments.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

even a more positive economic policy is likely to be offset to a large extent by the defensive behavior of consumers and business fearing another round of inflation. Finally, the challenge from militant, non-ruling political factions, notably in Italy and Britain, may frustrate official efforts to sustain economic growth.

Looking toward 1977 and beyond, the near-certainty is that growth rates will be moderate at best; the probability is that they will be quite low; and the possibility is that they will turn negative. And, as always, the real cause for concern lies less in the statistical level of economic activity than in the fact that, if the recovery fails, unemployment could rise and upset existing social and political balances in the direction of instability and authoritarian government, either Right or Left.

II

As a cause of the prospective economic slowdown and political difficulties, the high and possibly rising price of crude petroleum is outstanding but by no means alone. Because the economic alarms following the 1973 oil price hike were in many ways false or at best misleading, one hesitates now to play Cassandra. A failure to warn, however, would be to turn a blind eye to an impressive list of interlinked depressive forces. The difference between 1973, when crude petroleum prices rose by more than 300 percent, and the current period is not so much in the proximate source of the problem as in the nature of its impact.

For 1977, oil prices are already sufficiently high—quite apart from whether the Organization of Petroleum Exporting Countries (OPEC) raises them still further—to depress world production and employment by lowering domestic and net export demand in the oil-consuming countries at a time when the world economic recovery is still very hesitant. And one must now presume that the tolerances in the world's financial structure that permitted the financing of balance-of-payments deficits from 1974 through the current period are now close to exhausted for many major international trading countries—and that as private individuals and corporations opt out of the role of petrodollar recyclers, official and semiofficial bodies will be slow to take their place.

The average per barrel price of Arab light crude moved from $2.50 in 1973 to $10.75 in 1975 and $11.50 in 1976. (Although there has been no large change in 1976 in the posted price of the Arab light crude which other producers use as a benchmark in setting their own prices, the prices of many other crudes have been adjusted down

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

or up to reflect the pattern of market demands.) In practical terms, the outlook for 1977 is that a compromise will be struck, within OPEC, between the Venezuelan and Iranian proposal—for a 25 percent hike—and what appears to be the Saudi Arabian position that the price should be raised by a lesser but as yet unspecified amount—leading to an increase in the 5–15 percent range, possibly 10 percent. We may know in December, at the time this article is published. Of course, as in 1975, the announced increase for Arab light crude may exceed the weighted average of price hikes for all oils; the larger the announced increase in Arab light crude, the greater the potential gap due to differences in the quality of oil shipped and the amount of discounting.

For a first cut at analyzing the situation for 1977, the most useful working assumptions might include:

(1) The average price of a barrel of crude will rise by ten percent, to $12.66.

(2) The average national product elasticity of demand for oil will remain close to unity, i.e., for every percent increase in real GNP there will be an equal percent rise in oil consumption.

(3) Most countries will have to import 100 percent of additional oil demand. The United States, however, should begin to receive oil from Alaska in the fourth quarter of 1977 and Britain will obtain substantial additional benefits from the North Sea. Other countries, including Egypt, Mexico and India, should be able to bring new oil sources on stream in 1977 and improve their individual positions, but not enough to significantly affect world supply and demand patterns.

(4) Governments of oil-consuming countries (industrialized and less developed) have been planning on real growth rates in 1977 which would aggregate about five percent. Exceptions are Italy and Britain, where three percent growth is regarded as more appropriate.

On these assumptions the *increased* oil bill for importers in 1977 might amount to $20 billion, most of it in payments to OPEC, and more than three-fourths by OECD nations. (The U.S. share is $5–6 billion.) Total exports of oil and other products by OPEC countries might expand from $122 billion in 1976 to $140 billion in 1977.

The OPEC countries have surprised the world—and often themselves—by the speed with which they have been able to increase their imports. Nonetheless, Saudi Arabia, Nigeria and some other OPEC countries have increasingly had to delay domestic projects because of incapacity to absorb them at the pace initially envisaged, while Iran and several other nations have had to trim spending plans in order

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not to exceed prospective revenue flows. Accordingly, OPEC's imports may increase by only $15 billion so that the aggregate merchandise trade surplus would go up by $3 billion.

Interest and dividend receipts of the OPEC countries should rise significantly in 1977 (by $2.3 billion) as they increasingly invest their growing portfolios in longer term, higher yielding assets. This should be more than offset, however, by rising OPEC payments for transportation, other services and private transfers. Taking official transfers into account, it appears that the OPEC current account surplus in 1977 could amount to about $50 billion, only slightly greater than the average of the preceding two years.

While on the surface this may not appear especially dramatic, it is worrisome, in the first place, because the corresponding payments deficit will be shared unequally by oil-consuming countries and because the 1977 payments imbalance will be in addition to a series of large current account deficits which, as noted, have already strained the fabric of the international trade and payments system. The United States, because of its relatively firm economic recovery and moderate inflation rate, will probably see its current account surplus reduced by about $14 billion in 1976 to near zero. Other countries are less fortunate: Canada appears to have entered into a period of persistent large current account deficits; Japan has been able to approach payments equilibrium only by slowing the level of activity at home while pressing its exports into increasingly inhospitable markets; and France is finding her external deficit especially burdensome in the face of a troubled political scene and domestic economy. Similar payments difficulties abound in most parts of the globe.

Compounding this situation, most oil-consuming countries (excepting the United States) have now put into practice many of the more obvious and less costly means of energy conservation. In addition, many have eroded and in some cases virtually used up their international lines of credit and ability to float bonds abroad, and some have depleted their reserve assets in an effort to sustain economic activity levels. For an increasing number of industrialized and developing nations, therefore, balance-of-payments deficits have become even more of a depressant on growth than normally. By curbing their imports, they have not only constrained their own development but also reduced the exports of others.

Although the impact of the 1973 oil price hike in stoking inflation was all too clear, its effect on growth was less well understood. It was only with great difficulty that the Secretary General of the OECD, Emile van Lennep, and others managed to make clear the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

extent to which (and the mechanisms by which) the 1973 increase in oil prices depressed world GNP. For most nations the escalation of energy costs which took place in the course of 1973 did not immediately affect GNP by causing tight monetary conditions and financial shortages. Funds tended to reflow to the importing countries where they were needed through a variety of private and public channels. Instead, the depressive impact came from the disruption of income and spending patterns. The insecurities caused by the unstable world petroleum situation led consumers, investors and importers to become more cautious. Moreover, by transferring purchasing power from nations with high consumption levels to OPEC nations where the short-term capacity to spend was more limited, the higher oil price had the same negative impact on GNP as a tax levy. The interplay of higher oil prices with the existing economic excesses of 1973 also led to a race to build inventories and raise prices. When governments finally acted to curb aggregate demand, higher oil prices contributed in no small way to the depth of a recession whose seeds had been sown well before October 1973.

The increase in petroleum prices from the beginning of 1973 to early 1974 amounted to roughly $9.00/barrel; the assumed ten percent increase in 1977 would raise the price by $1.15/barrel. But even if the absolute amount of the 1977 increase is only one-eighth as large as in 1973 and represents but a fraction of one percent of total GNP in consuming nations, it would come at a time when the international economy is walking with feet of clay. The fragility of many national economies, both in Europe and the less-developed world, has already caused many of these countries to cut back development targets. An additional boost in oil prices will incline them to retrench further, and, as they do so, even the strongest world economies will have their growth rates reduced.

The heavy reliance on export sales to non-oil developing countries appears as an especially serious potential problem for Japan, France and Britain. Even the German economy would be adversely affected by a slump in world demand for the capital equipment which comprises roughly half its exports. The United States is also vulnerable, but in view of its improving competitive position in world markets and the small role that international trade plays in its GNP relative to other countries, it might not be as affected as many others.

Because inflation is a dynamic phenomenon, as dependent on the behavior of individuals as on any mechanical economic relationship, it is not possible to know with certainty what effect a ten percent rise in oil prices would have on price levels in importing countries. It

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

almost certainly would directly boost inflation rates by close to 0.5 percent, a significant amount psychologically and perhaps practically —witness the acute attention economic and financial observers and the stock market give to each monthly announcement of the consumer and wholesale price indexes. There is little doubt, moreover, that this would be magnified by sympathetic price increases for other products, albeit limited by the deflationary effect of slower GNP growth. What is clear, however, is that, contrary to the experience of 1973–74, the impact of higher oil prices in 1977 will probably fall less on inflation than on real growth and the balance of payments.

Clearly, the preceding analysis is broad-brush and naïve, since it cannot fully reflect interlinkages of the world economy—the reality that the situation of each nation is materially affected by what goes on elsewhere. One reason why the current European and Japanese economic recoveries were so late in coming was the Alphonse and Gaston behavior of governments; each hoped to have its economy stimulated by export demand and delayed introducing expansive domestic policies. The present danger, suggested by the fact that the official projections of major trading nations show total exports adding up to significantly more than 100 percent of imports, lies in the possibility that many individual governments will independently seek to improve their international payments and inflation positions by restricting imports and domestic demand. Should this occur, national policy targets would probably be only partly fulfilled and at great cost. Whereas theoretically it is possible for oil consumers to improve their payments positions relative to OPEC, if they all act simultaneously to curb aggregate demand, unemployment could soar and production plummet, spelling political and economic instability throughout much of both Western and Eastern Hemispheres.

In sum, the outlook forcibly argues that the assumption of a five percent GNP growth rate in most OECD countries is optimistic, particularly if one assumes a ten percent boost in oil prices. (At lesser GNP growth rates the quantitative impact of high crude prices would become somewhat less acute, but would still constitute a major negative element in the OECD economy.) On an overall basis, one must conclude that the impact of an oil price increase would be extremely serious.[1]

[1] This view is similar to that of Henry Wallich, a Member of the Board of Governors of the Federal Reserve System, who has said that a significant oil price rise would bring recovery to a grinding halt (*Newsweek*, November 15, 1976, p. 85). Professor Richard N. Cooper of Yale, in contrast, reportedly perceives the difficulties as well within the scope of counteracting public policy (*The New York Times*, November 3, 1976, p. 65).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

III

It would be wrong to place emphasis solely on a prospective increase in crude prices. Other developments totally unrelated or related only tangentially to oil are also casting an ominous shadow over prospects. The first of these, which cannot be dismissed even though it has somewhat technical economic origins, is a weakness in the current recovery phase of the business cycle. It is well illustrated by the case of Germany, Europe's strongest major economy, and one looked to—along with Japan and the United States—as the engine that can pull others up, or down.

Consumers in Germany increased their personal outlays for automobiles and other products in 1976, but largely by reducing their rate of savings. Because wages and the rate of inflation have increased at roughly the same rate of speed, real incomes have hardly risen. This, combined with the lingering high rate of unemployment and traditionally conservative German attitudes toward spending, suggests that consumption will not be buoyant in 1977.

Business too will provide only moderate support for the real growth rate. The stimulus of moving from inventory liquidation to accumulation is past and with relatively few exceptions new plant and equipment spending is not slated to increase very fast. This is especially disappointing to policymakers because even though company profits have not regained the 1972 level, they are a great deal better than in 1975 due to a conscious decision by the Bonn government to stimulate investment by raising the share of national income going to business at the expense of workers. The small increase in investment in prospect for 1977 will not only fail to give the total economy the upward thrust which it usually provides at this stage of the business cycle but, because it is highly capital intensive, will also do little to alleviate the unemployment problem. The cause of this investment drought and its consequences are major issues to which I shall return.

Budget policy is likely to be still another depressant on Germany's growth in 1977. Although government spending still exceeds revenues, the size of deficits is shrinking; in effect, government is now pumping less purchasing power into the economy and may exert even less upward push in 1977.

The export sector is almost universally cited as the leading edge of the German economy in 1977. But even this may be an illusion. True, export orders are booming. But is it not true, given the almost 50 percent emphasis on capital goods, that these orders are more likely to be filled over the course of five years than five months? Moreover, in noting the rapid increase in current export shipments,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

most analysts seem to overlook the still more rapid increase in imports. Germany's current account surplus—already down to an estimated $2.5–3.0 billion in 1976—should continue to decline in 1977, thereby tending to curb the level of domestic activity.

If Germany's real GNP grows at only two to three percent in 1977 (half of what the Bonn government and four out of five of the major economic institutes have predicted) the impact may be less on Germany than its trade partners. A major assumption of the "Plan Barre" is that France will be able to take advantage of a more than four percent German growth rate and an eight percent rise in the imports of its trade partners, to increase the volume of its exports by ten percent. This target now appears suspiciously high. Plan Barre is comprised of a variety of economic measures delicately chosen to curb inflation without at the same time raising unemployment or plunging France into negative growth. The difficult political compromises that will be required to implement it stand little change of success if France faces an external environment of rising oil prices and stagnant world trade. Even assuming that Giscard d'Estaing is able in the spring of 1977 to reverse the thrust of domestic economic policy by making it more stimulative, the costs of doing so may be rapid inflation, capital flight, large international payments deficits, and a sharply declining exchange rate for the French franc.

The situation of France is particularly interesting because it lies somewhere between that of the stability of Germany and the endemic weakness of Europe's sick men, Italy and Britain. While it may be too easy a generalization to say that Europe is becoming divided into two distinct groups based on their economic strength, recent history certainly does reveal the existence of significant differences in the economic performance, even of nations which are geographically contiguous and supposedly linked by close economic ties.

As conditions vary, so too do economic and social policies. In 1977, policy patterns among nations will continue to diverge, not only because of differences in natural resource endowments (e.g., the abundance of natural gas in Holland) or historical and political trends (the peculiar situation of Italy's Christian Democratic Party, for example), but due to inter-country differences in economic goals. Some countries (Germany and Switzerland) have regarded inflation as their principal problem. Others have been particularly concerned with correcting payments deficits (Italy and France), or have put emphasis on maintaining the pace of industrial activity and employment (Sweden and Denmark), or have been preoccupied with political issues (Portugal and Spain). Also important are the efforts of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

some nations to promote the economic role of government at the expense of free enterprise and to give income distribution priority over economic growth. The speed with which governments have reacted to emerging economic problems and the time frame in which they have sought to apply their chosen remedies have varied enormously. Finally, differences in the choice of policy instruments have magnified international disparities. Efforts to impose an "incomes policy" in Britain, for example, have yielded results rather different from the more purely fiscal/monetary measures taken by Germany or the French approach of mixing state intervention in the economy with more traditional economic policy measures.

From a European point of view, the pattern of each economy increasingly going its independent way is a source of deep concern, even anxiety; it has been demonstrated that a course once chosen is not readily altered. It is not just that the chances of accomplishing the goals of the European Economic Community—monetary union and policy harmonization—now appear to have receded. The more immediate worry is that concrete achievements of the EEC, including its common agricultural policy, industrial integration, and even the customs union, are endangered by a rising tide of economic nationalism. Indeed, it can no longer be taken for granted that political institutions such as NATO will survive the present strains in recognizable form. When Mr. Callaghan intimated in October 1976 that Britain might not be able to support fully its present commitment to the Army on the Rhine unless its friends provided the financial backing which is its due, he was uncomfortably close to opening a Pandora's Box for the Western Alliance.

IV

Because the nexus between international economic disintegration and the new roles which governments are assuming in domestic economies is generally not well understood, it is usually not given due place among the factors causing the current world economic crisis. At one level, the disparate preferences for policy goals and means of implementation cited earlier make cooperation among states more difficult and lead to patterns of economic behavior that are not readily compatible. More fundamentally, egalitarian demands for the expansion of the public sector, and even changing attitudes to work itself among a younger generation that forms a larger and larger part of the work force—all these social and demographic trends have had a basic impact on the productivity of mixed economic systems. In many European states the urgent demands of the electoral majority

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

make it more and more difficult for governments to maintain the vitality of the mainsprings of economic growth.

All this is perhaps most vivid in its impact on the rate of real investment, which is at best laggard and in some cases declining. To dwell for just a moment on this important question of investment, it must first be recognized that cyclical factors enter in. The economic recovery, because of its modesty, thus far has failed to utilize fully Europe's existing industrial capacity, and it is now accepted by many that the future rate of growth will be less than that achieved in the past three decades.

It is also clear, however, that returns to capital as a share of gross national product have fallen. In effect, entrepreneurship has become less profitable, a shift which could only be justified if the risk of investing had also been reduced, which it has not. If anything, recent social legislation such as laws preventing companies from laying off labor in times of recession, rapid inflation, floating exchange rates and other new features of the economic environment have increased the riskiness of business investment. In addition, the assault on established economic interests, be it in the form of progressive income tax rates, wage and price controls which squeeze company profits, or neo-Marxist efforts to achieve egalitarianism by "debauching the currency," have induced many asset holders to adopt defensive strategies such as holding gold, choosing production processes which use a great deal of capital and little labor quite without regard to the large numbers of unemployed, and diversifying their assets geographically so as to have less stake in the future of Europe.

This phenomenon is probably best exemplified by Italy, a country which enjoyed rapid economic development in the 1950s due to domestic investment and in the 1960s owing to foreign investment. Today, confidence in the outlook for private capital in Italy is virtually nonexistent. Only the government is in a position to make the investments which would complete the modernization of Italy and the social reforms which are needed. But as long as government is committed to enormous non-productive transfer payments, and with the Communist Party unable to fully mobilize the labor unions to raise the productivity of existing capital, the outlook for Italy will remain rather bleak.

A similar prognosis could be applied to Britain, although in this case there are more grounds for optimism. Not only has the government recognized the need for investment, but it appears to have initiated at least some of the political and economic reforms prerequisite to halting a long-term deterioration of Britain's economic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

system. Is it also true that the old-line interest groups within the Labour Party have responded to the inroads that leftist militants have made on party structure with a move to regain control? Is James Callaghan in a much stronger poltical position—given the alternatives—than is suggested by the press? Has there been a fundamental change in the attitude of workers as suggested by (1) the fact that 1976 has been the best year in 23 for avoiding strikes, (2) the social contract has been kept despite a fearsome inflation which reduced workers' real incomes even more than had been anticipated, and (3) the hitherto unheard-of behavior of the labor force at Ford which refused to join a handful of door hangers in a wildcat strike that would close the entire plant but rather undertook to hang doors in their absence? If the answers are yes, Britain's future prosperity may be determined by more than its North Sea oil resources.

V

To recapitulate, the impact of the high and increasing price of petroleum on balance-of-payments deficits, rising international debt burdens, the threatened early aborting of the business cycle upswing, disparate economic performance and policies, and depressed investment—these together add up to a crisis of confidence, notably advanced in Europe. Too many participants in an increasingly interdependent world economy have lost faith in their governments' ability to ensure their future prosperity. And too many governments have doubts—admittedly well founded—about their own ability to deal effectively and simultaneously with inflation, unemployment and payments deficits while maintaining their tenure in office.

For the United States, the implications of Europe's current difficulties are not clearly defined. This is in part because America's size, geographic position, natural resource assets, financial standing, and domestic economic policies provide a degree of insulation from developments abroad. Indeed, the situation of a stable, growing U.S. economy could act as a magnet for capital and human resources, thus benefiting the United States and exacerbating Europe's difficulties. The conditions already exist.

In terms of first-order effects, it is clear that a recession abroad could depress U.S. exports and, as countries and companies abroad sought to maintain production levels, increase U.S. imports. The resulting deterioration in the trade balance would tend to curb the growth of America's GNP; to put the adage of the 1950s in reverse, "If Europe contracts pneumonia the United States cannot avoid catching a cold."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

True, there might be a positive immediate benefit from recession abroad in that the combination of global overcapacity in most industries and a strong dollar in foreign exchange markets would lead to a further abatement of U.S. and world inflationary pressures. A downturn might also discourage some of the more outlandish proposals for commodity cartels. Unfortunately, in the process some of the primary commodity producing nations might be deprived of a reasonable return for their exports, and also the new markets they need to diversify their economies. This would only hold back and make worse the problem of accommodation between "have" and "have not" countries.

Turning to more specific consequences, U.S. banks are especially vulnerable to renewed international economic disorder. There are several countries which are acutely in need of having their entire external debt restructured and many more which may eventually become candidates for such treatment. Although heretofore commercial banks have generally not participated in debt rescheduling, recent meetings of private bankers in London and New York to discuss Zaïre's debt indicate that the international banks are now less protected than in the past. Large-scale defaults are not now in prospect, but if banks sustain difficulties with their international portfolios this could have an important effect both on their earnings and their ability to support domestic economic progress.

One wonders whether it is purely accidental that Europe's current problem coincides with a major change in its economic relationship with the United States. For 25 years European industry gained in competitive position owing to smaller absolute dollar increases in wage levels and a faster increase in productivity, largely related to U.S. direct investments abroad. Since the devaluation of the dollar in 1971, however, it is the United States which has been gaining competitive position. European wage rates have caught up with and in some significant cases exceeded the American equivalent.

Still more important, the "investment gap" which caused U.S. companies to go abroad—the superiority of U.S. technology and managerial skills, and the shortage of capital in Europe in the postwar period—has been altered profoundly in the course of time. Moreover, the strategic investment moves necessary to take advantage of European free trade have now been achieved. It should come as no surprise, therefore, that U.S. companies are now more interested in investing at home than abroad; nor that foreign companies such as Volkswagen, Michelin and Sandoz are reacting to their newfound sophistication and capital adequacy, as well as the depressed outlook

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in Europe, by increasing their commitments to invest in the United States. To the extent that this represents the development of a larger two-way flow of direct investment capital, with global benefits for production efficiency, it is to be welcomed. But, insofar as it will tend to move the locus of production from a depressed Europe where it is badly needed, it will be painful.

If we ask how far European governments would permit such economic trends to proceed before taking decisive action, the danger to the United States and, more generally, the world economy is all too clear. One can take comfort that in 1975, and again in 1976, the OECD countries pledged to eschew restrictive trade practices and also that governments have generally not depressed the exchange rates for their currency as a form of beggar-thy-neighbor policy. Yet one need look no further than Italy's import deposit scheme or the high interest rates now in force in Britain, France and elsewhere, to grasp the potential of balance-of-payments deficits as justification for policies which may harm the fabric of the international trade and payments system directly or indirectly. There are many who have welcomed the breakdown of the Bretton Woods rules but few who would be pleased to see the underlying liberal principles swept away. But that too is among the dangers inherent in current economic trends.

VI

If this gloomy prognosis is near the mark, no prescription for U.S. and European policy can look generally attractive—or be in itself decisive. All realistic alternatives must accept that economic growth rates will be well under what the OECD countries have become accustomed to in the past three decades (and what might still be achieved but for the inescapable balance-of-payments deficits). Moreover, the policy challenge is probably to develop a variety of measures, often independent of each other, which together will add up to a sensible package. And, with the lack of perfect foresight, there must be an element of improvisation and preparedness to plug leaky dikes wherever they may appear.

Future policy will not be built in a vacuum but rather on the existing array of domestic and international measures, many of which have been pursued since before 1973. These include: (1) efforts to prevent OECD and other countries from adopting beggar-thy-neighbor policies—depressive domestic economic policies as well as outright trade restrictions; (2) measures to develop new energy sources, conserve on current consumption and establish emergency procedures for dealing with material and financial crises; (3) financial support

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for countries which merit it by adopting balanced and internationally constructive economic policies; (4) efforts to press upon OPEC countries the economic and political consequences of their price policy and to convince them to assist directly those countries that have been most severely affected by high oil prices; and (5) a joint striving to substitute cooperation for confrontation in negotiating a better world economic order which will increase the stability of international relationships and help the poor. Although each of these avenues has been followed with some degree of success during the past three years, the task of carrying them forward has become more difficult as the underlying economic problem has grown more acute and complicated. Redoubling the emphasis on existing policies is indisputably necessary but probably *not* adequate to dissuade national governments from imposing siege economies which could be ruinous to existing, hard-won international economic and political relationships.

In seeking supplementary measures, however, it is easier to define what is unworkable than to invent new solutions. Clearly undesirable would be for the industrial powers to subscribe to the view, advanced to some degree by IMF Managing Director Witteveen at the 1976 Annual Meeting in Manila, that a major effort—essentially deflationary—should be made to adjust to the new terms of trade between oil producing and consuming countries, i.e., that balance-of-payments deficits should be substantially reduced. The difficulty with this solution, as suggested earlier, is that most improvements in payments positions would be made at the expense of other oil-importing countries rather than the OPEC group. Moreover, many governments could not survive the political strains that they would generate if they were to reduce domestic production to narrow international payments gaps.

Equally infeasible is the opposite approach—based on the assumption that the current problem is due mainly to higher oil prices—that real adjustment can be totally avoided if only there is a general fiscal stimulus to curb unemployment, combined with new "recycling" facilities to assure that the international flow of petrodollars helps finance investment at home and imports of would-be debtor nations. This solution is simply too good to be true. It ignores the fact that the Western economies have been built on the assumption of inexpensive energy and cannot adapt to a fourfold increase in oil prices without costly internal adjustments in resource use. Because adjustments must be made in basic structures and over time, merely compensating for higher oil prices by fiscal measures and financing is at

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

best only part of the answer. Proposals for a general economic stimulus also fail to consider the response of domestic economic sectors which would interpret such a policy as inflationary and harmful, even if accompanied by mandatory wage-price restraints. Just as individual nations acting on their own behalf may make a mess of the world economy, consumers, investors and others can frustrate national policy by excessive wage demands, capital flight, scaled-down investment spending, commodity hoarding and other actions which seek to protect their own interests.

The opening for a constructive new policy arises in part because some countries with relatively strong balance-of-payments situations and price stability—Germany, Japan and the United States are conspicuous examples—are not currently making full use of their human and capital resources. If these nations could, without abandoning their efforts to reduce inflation, ensure that their real growth rates in the next several years will not fall below five percent, they would make an enormous contribution to maintaining economic activity elsewhere. In short, the fiscal stimulus appropriate to the current situation is both limited in amount and possible only for several stronger economies. If implemented, however, even a boost of this nature—reducing balance-of-payments surpluses, if not turning them into deficits—would help other nations to avoid the kinds of autarkic strategies that were so disruptive in the 1930s.

Equally important, if global depressive forces are to be minimized, weaker countries should resist restrictive economic policies. If they act together, they should be able to maintain small but positive growth rates, fight domestic inflation, and still permit a great deal of freedom for international trade and capital flows. In mounting a joint effort to design cooperative national economic policies—affecting a wide range of variables, from international trade to domestic inflation—the machinery for coordinating the economic policies of the Western industrial powers is already present within the OECD, the Bank for International Settlements and elsewhere. What is needed for the future is not new institutions but an upgrading of existing bodies so that nations not only discuss economic policies among themselves but change their policies to reflect communal as well as strictly national interests.

Although it will also be useful to arrange get-togethers where heads of state and senior economic and political officials can exchange views, several factors argue against frequent use of this device. In the first place, such gatherings, if they are not large and unwieldy, tend to raise the specter of elitist or hegemonial management. This could dampen international cooperation, which will require not only

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

leadership but a sense of general participation. Few developments would be more unsettling to the international community than the apparent evolution of a "special relationship" between the United States and West Germany, or among some slightly larger group. Second, for the heads of state or government to get together without being able to advance new solutions to outstanding problems could be worse than if they never met.

VII

A test case for international cooperation may be the United Kingdom. If the internal dynamics of the British economy are now improving, as suggested earlier, recognition of this fact should induce the international community (particularly Germany and the United States) to rally behind Mr. Callaghan. This is not to say that Britain should be excused from accepting realities such as the demise of sterling as an international currency or the need at least temporarily to halt the progress of welfare legislation. (An external bond issue denominated in dollars or special drawing rights [SDRs] would be appropriate to the first of these concerns; limits on money supply growth imposed as a condition for an International Monetary Fund credit, to the second.) The detailed prescription for Britain may, in fact, be less important than an international show of confidence in the government. By halting the slide in sterling's foreign exchange rate and easing inflationary pressures, this would at least give breathing space for existing policies to take effect.

The British case underscores the significance of confidence as a prerequisite for avoiding crisis. To obtain confidence and implement needed economic policies, however, will require considerable skill and ingenuity on the part of both public servants and private individuals. To this end, and with the conviction that the IMF and international bodies should play a major role, the Fund might want to gear up the "wise men" procedure it has used in the past to mobilize international support for solutions to major economic problems. Because the persons involved in such an exercise would necessarily be experts, they could produce practical benefits even before the new U.S. Administration has been organized and has developed the working relationships which will permit it to assume its full responsibilities.

The immediate problems of Britain also illustrate the opportunity for greater U.S. leadership than has been displayed since 1971. Almost without exception, foreign officials have the impression that they have been confronted by a Washington which does not under-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

stand or is unsympathetic to their desire for more cooperation in narrowing exchange-rate fluctuations and other issues which they regard as important. Although domestic problems may limit what actions a new U.S. Administration can take on others' behalf, setting an international tone which is ecumenical, non-strident, non-dogmatic and non-ideological would open doors for constructive cooperation which have long been closed. To embark on a course of more active U.S. leadership would entail some costs to this country—including satisfying prior obligations to finance the International Development Association and a new commitment to some arrangement like the financial "safety net" which Congress has thus far rejected—but these would be small relative to the size of the U.S. economy and would not, as some fear, return America to its previous role as world guardian.

Taken cumulatively, the actions outlined above represent a useful first step that should render the world economy measurably stronger than it might be in their absence. Moreover, unlike more radical or less subtle policy prescriptions, they do not risk serious adverse side effects.

Economic policymakers must recognize two major facts about the future. First, natural forces operating over time will eventually ease the pressures now emanating from the world petroleum situation. Cartels do not have infinite lives and the combination of new energy sources, energy conservation and growing OPEC demand for imports will one day narrow the difference between the price of energy and the cost of production. Second, demographic, geopolitical and other changes will require imaginative new approaches to the traditional economic goal of growth with social justice. Neither the stock remedies of the neo-Keynesians and monetarists, nor the seductively comprehensive answers of the econometricians, will be able to substitute for thoughtful and practical attention to political-economic issues as they develop.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Jean Kanapa

A "NEW POLICY" OF THE FRENCH COMMUNISTS?

We often speak of a "new policy" of the French Communist Party. This is, in fact, one of the major subjects of political debate in France. The question is all the more relevant because the prospect of an electoral success of the Left in France, followed by the formation of a government by the various parties of the Left and thus including Communist ministers in significant posts, is a realistic one. This would not be a totally unprecedented event: as a matter of fact, from 1944 to 1947, there were already in France Communist ministers who held important and responsible posts (Vice President of the Cabinet, Minister of National Defense, Minister of Aviation, Minister of Labor, Minister of Industrial Production, Minister of Health). But I must admit that, 30 years later, the situation is not the same. Many things have changed in our country and in the world. New questions have arisen. They call for new answers.

As far as we are concerned, the year 1968 played a decisive role in elaborating these answers, and, more generally, in what our policy line has become.

After the powerful popular movement of May–June of that year in France—as everyone here at home said—"nothing could ever be the same as before." In fact, this popular movement marked the first great postwar confrontation in France between the wage-earning masses (during these weeks nine million strikers were counted) and the political-economic system in operation at the time. Naturally, this confrontation was not understood with the same degree of clarity by all participants. But it expressed, however confusedly, an obvious yearning for *change*—and for a profound change, a change in society itself. It seemed, too, that this yearning was shared by rather broad strata of society, beyond the actual working class. For the first time, a significant number not only of engineers and business executives but also of civil servants participated in the struggles of the people. We could not help but learn lessons from what thus appeared to constitute a serious social upheaval.

The years which followed confirmed this diagnosis: France is un-

Jean Kanapa is head of the Foreign Affairs section of the Politbureau of the French Communist Party.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dergoing a profound and lasting crisis. When we reached this judgment in 1971, the signs of the coming economic crisis were still slim and most commentators gave little importance to our appraisal of the situation. But—aside from the fact that economic events very soon confirmed our judgment—we had in mind much more than a contingent phenomenon. Since 1968, in fact, the crisis which has struck French society is global. It is global precisely because it concerns the economy, politics, social life, and indeed the moral health of the country.

In our view, the source of this crisis lies in the appalling lag in democracy. On the political level, I shall single out only one aspect. Since General de Gaulle became President of the country in 1958, practically all political power has been concentrated in the hands of one man—the President of the Republic. This has reached preposterous proportions, with Valéry Giscard d'Estaing going so far as to decide on the maximum height of buildings or the layout of auto routes in Paris. At the same time, the most important of the mass media—television—has been placed under the close supervision of the government, and has practically been turned into an instrument of its policy. While France is, so to speak, one of the founding countries of representative or parliamentary democracy, the role of the various elected assemblies has been reduced to practically nothing. The result is that the gap between the state and the citizenry has widened. In the social arena, a symptom which is particularly characteristic of the abnormal situation at the present time is that no possibility for negotiation is being offered to the trade union movement; this is unparalleled in Europe.

Things are no more satisfactory in the economic field. After some delay in business concentration, French capitalism redoubled its efforts in the last 20 years and now about 25 large private groups dominate the economic life of the country. They exercise a decisive and exclusive influence on economic policy, and they use all the machinery of the State (including public funds) to carry out programs which they alone have decided upon, while the results of these programs affect the great majority of people and the economic stability of the country. This situation, where the controlling levers of industrial and financial life are in the hands of a small minority, is resented more and more as an absence of *economic democracy*.

That is why political debate since 1968 has revolved around the question of *democracy*. And it is under the sign of an imperative for democracy that the French Communist Party's line of thought has proceeded. It is only fair to note that the premises behind our think-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing are much older: for example, this same democratic orientation inspired the French Communist Party's popular-front policy and struggles against fascism since the 1930s; likewise, Maurice Thorez wrote in an interview in the London *Times* in 1946 that the French Communists should follow a road other than that of the Russian Bolsheviks, i.e., the road of democracy. But certainly since 1968, much more is involved: there has been a sense of renewal, an updating of the whole political line of the French Communist Party and of its "strategy." This systematic effort, along with a continuous and extensive economic and sociological analysis, was expressed by the passage in 1968 of a Manifesto; then in 1973 by the publication of the book by Georges Marchais, Secretary-General of the French Communist Party, entitled *The Democratic Challenge*; and finally by the passage by the French Communist Party's 22nd Congress, in February 1976, of a document entitled "What the Communists Want for France."

The central idea of this policy is as follows: In order to pull out of her crisis, France must start on the right path toward democratic changes in her structures and in her objectives in every area. It is this uninterrupted extension of democracy which will lead the country to socialism, a socialism which must be authentically democratic. Such an experiment can only be the result of a free choice by the majority of the people. The 22nd Congress of the French Communist Party has categorically declared that it will respect the verdict of universal suffrage under all circumstances, even if the majority of voters decide not to pursue the experiment. The party has also pledged to uphold and extend all the rights and liberties gained by the French people over centuries—freedom of opinion, of expression, of association, of the press, the right to strike, free movement of the people, et cetera. It will respect the multiplicity of political parties, including the opposition parties. It has come out against the establishment of a particular philosophy as an official doctrine, and against all recourse to totalitarianism and to personal power. And very logically it has decided to abandon the idea of the "dictatorship of the proletariat," classically considered by the communist movement as a condition of socialism. This decision caused quite a storm in France and elsewhere, because it was quite evident that this was not a question of a mere change in terminology, but of an entire political approach.

II

This approach—the conviction that democracy is the sole machine

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that will make France move forward—is based on our own national traditions and conditions. The French Communist Party, so closely allied to the popular masses of the country, and which, so to speak, has shared their lives for more than a half-century, is indeed very attached to this notion. It rejects the idea that in some form or other there exists a "model" of socialism, as well as a unique and universal strategy for all communist parties. What it is working for in France is a socialism "in French colors."

This independence of the French Communist Party goes far back. In October 1934, for example, the Party conceived of the keynote of the Popular Front (and entered into the corresponding alliances), *despite* the opposition of the Communist International. Reflections on Stalinism, and then the Soviet military intervention in Czechoslovakia in 1968, led the French Communists to develop further the specific national aspects of their policy and thus to define an original perspective. For example, the whole policy of the French Communist Party rests henceforth on the idea that it is possible in France to open up a *peaceful* road to socialism. Another example: the Party has spoken out against a one-party system in France and in favor of pluralism. Still another example: the program of the Party excludes as objectives the nationalization of all industrial and commercial enterprises, and the expropriation and collectivization of family farms which are so numerous in France. This would be to sacrifice a portion of the economic potential to the caricature of a dogma. More generally, the Party believes that it is not good for the State to retain all power and play the role either of guardian angel or of policeman.

This correspondence between the policies of the Communists and specific national needs has been expressed in the French Communist Party's ability to propose long- and short-term constructive solutions to *all* of the country's problems. Thus, besides very full proposals for immediate measures to combat inflation and unemployment, it has developed and widely disseminated programs for education, public health, agriculture, programs for the cities, for sports, for the environment, etc., as well as programs for economic and social development carefully designed for each of the regions of France. Without exception, it has at its disposal in every domain very competent specialists who provide a highly responsible character to its proposals.

III

What guarantees are there that this democratic policy of the French Communist Party will remain so? First, there is the fact that, since its birth, it has never lifted a hand against liberty, including the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

time it participated in the government right after the war. Then, there are its dealings with the many municipalities controlled by French Communists, and this can be substantiated on a daily basis. In these cities and towns, the Communists have been elected to positions of management and control on the basis of a "communal contract" which they presented to the people beforehand and which they fulfill with the people's help. There you have a rare example of local democracy.

In addition, even when the Communists have a majority which does not require them to do so, they see to it that there is room for representatives of other democratic political groups in the various organisms of the local administration. The French Communist Party is actually an advocate (and it is the only one in France) of proportional representation for the various political currents in all elected assemblies. It sees in this the surest way to guarantee diversity of expression of the French people in their political choices.

As the French Communist Party says itself, there is ultimately another guarantee that the policy it follows will be a truly democratic one, relying in every case on the free choice of the people: this guarantee is that there is no other possible way to effect the social changes necessary. France of 1977 is not Russia of 1917; only the small ultra-Leftist groups dream of the D-day of armed rebellion.

The French Communists are convinced by their own and by outside experience that nothing, absolutely nothing, can, in our time and in a country like France, replace the popular will of the majority as expressed by democratic means, and, in particular, by universal suffrage.

Here their views are in complete harmony with those of the Italian Communists. Such harmony has given rise to talk of a "Eurocommunism." This expression is debatable—on the one hand because the Soviet Union, for example, is also in Europe, and on the other hand because the Japanese Communists seem to have the same preoccupations which I have mentioned. What basically has happened is that several communist parties in industrialized capitalist countries, though in quite different situations, have had the feeling of being confronted with fundamentally common problems, so that they have come up with similar answers, thereby outlining a socialist perspective which is strongly marked by a common concern for democracy.

IV

An important peculiarity of the French political situation since 1972 has been the existence of an alliance of the parties of the Left (the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Communist Party, the Socialist Party, and the Left Radicals). It is not a question of a transitory alliance, setting forth vague general principles. The alliance rests on a Common Program of government. This Program is not a brief catalogue of some rather spectacular measures but a coherent and very detailed entity; indeed, it includes no less than 140 pages clearly defining governmental action in every area and aimed at effecting a certain number of reforms in the economic and social structures of the country. Certain details of this Program, adopted four years ago, will, of course, have to be adapted to new contingencies; the parties of the Left have agreed to do this when the time comes.

All this is the result of a very long (and sometimes very active) political debate in the heart of the French Left. Since 1947 when—in the context of the Western strategy of the cold war—the Socialist prime minister, Paul Ramadier, expelled the Communist ministers from the government, the Socialist Party until the end of the 1960s had practiced a policy of "loyal stewardship" of the established system and of collaboration with the Right. It had taken part in repressing the social struggles unleashed by the workers, in the application of measures which restricted democratic liberties, and in the conduct of colonial wars. The French Communist Party fought this behavior. At the same time, it continued to urge the Socialist Party to break with this orientation and to establish a Socialist-Communist alliance on a clear, loyal and durable basis. The absence of such an alliance rendered a genuine Left alternative in France impossible for a long time. More than anything else, that is what prevented the popular movement of 1968 from finding an outlet for political change.

The policy of the Socialist Party led it to the brink of failure: in the presidential election of 1969, its candidate received only 5 percent of the votes (as opposed to more than 21 percent for the Communist candidate, Jacques Duclos). Consequently, the Socialist Party went through a crisis, from which it emerged when it decided in 1972 to accept the proposals of the Communists for cooperation. Long and extensive discussions ended in the adoption of a common governmental program, which the French Communist Party had been proposing for ten years.

This program is not a "communist" program in the sense that carrying it out would be tantamount to a "communist revolution" in France. It foresees profound and, at the same time, carefully measured democratic reforms. One example would be the extension of the existing public sector by the nationalization of some of the larger

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

industrial companies and of the banking sector. Another example: the democratization of the state by the reestablishment of the prerogatives of the elected assemblies (from the Parliament to the municipality). The implementation of this program would make it possible to effectively combat inflation and unemployment; it would release economic resources, permitting important social measures to improve living, working, and environmental conditions; and it would give more far-reaching means of expression to workers and to the popular masses in general. Thus it would be a turning point in national life, a great step forward on the road to democracy. The adoption of such a program by the three parties of the Left has constituted a new and important factor which still exerts a major influence on French political life.

The quest for such an alliance and the will to maintain it are not, as far as the French Communist Party is concerned, a matter of circumstances. On the contrary, this is one of the most permanent features of its policy. Vulgar anti-communist propaganda refers to it as a "communist trick to gain power." In fact, it is an approach based on what one might call the political philosophy of the French Communist Party. George Marchais summarized this in these terms (and it is significant that he did so at the June 1976 Berlin Conference of European Communist Parties): "We take into consideration the different situations of the social strata which constitute our people and also the diversity in trends of thought and spiritual backgrounds. We do not aspire to exercise a monopoly in the democratic movement today—nor in the socialist society tomorrow, but—and this is quite different—to play a vanguard role in social and human progress."

Although we are very attached to a policy of solid alliance with the Socialist Party, that is why we do not envisage in any way a merger of our two parties (as was the case in the East European socialist countries). Between the two parties, there are very real differences. They will undoubtedly continue to exist for a historical span. We Communists insist on remaining what we are and we recognize full well the Socialist Party's right to be what it is. That said, we believe that the adoption of a common governmental program, and the many political initiatives that the two parties have been taking together lately, show that an alliance is possible. A new example is the agreement concluded with a view toward the municipal elections of March 1977, which should permit the Left to assume the management of the affairs of a number of cities and to increase the number of municipal candidates elected. Naturally, it is easier to define on paper this cooperative policy than to put it into practice. Any ambition to dominate must be put aside in relations between partners. As far as the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

French Communist Party is concerned, it believes that the alliance should be based on strict respect for the commitments undertaken in common and on the equality of the rights and obligations of the three partners. That holds true today in politically opposing the policies of President Giscard d'Estaing and the coalition parties of the Right. It holds true for tomorrow, if the Left prevails in the next legislative election through the formation and the functioning of a unified government in which the Communists will participate with a clear objective: to apply and have applied, as we say, "the whole Common Program and nothing but the whole Common Program." And this holds true in the future, too, because the French Communist Party considers that such multiparty cooperation will be useful in the leadership of the country until and even after the emergence of a socialist France.

V

As we know, at the time of the presidential election in May 1974, more than 49 percent of the electorate, by voting for François Mitterrand, favored the candidate named by the united Left and for its policy. One can reasonably put forth the notion that since that date the potential vote on the Left has increased even more.

Does the problem simply consist in having a small percentage of voters swing to the side of the Left? The French Communist Party does not embrace such a simplistic view of things, which, after all, amounts to accepting France's division into two fairly equal halves. We do not do so, first, because to start the country on the road to democratic reform with the best chance of success requires a popular movement embracing a *large* majority of the people. Since we reject recourse to armed violence and repression, this is a requisite for victory.

Then, too, the French Communist Party, which is fundamentally a people's party, cannot accept dividing the people into enemy camps. As early as 1936, it had as its objective "the union of the people of France, a true national reconciliation," against a conservatism which obstructs national progress. This concern characterizes very strongly the action of the French Communist Party today. It thus occupies itself with bringing together the French people, taking into consideration the diversity of their social strata: the workers, of course, but also the large mass of wage-earners (in particular, engineers and technicians), the intellectuals, the civil servants, the peasants, what we generally call "the middle class," including small and medium-sized entrepreneurs. All are interested today in substantial

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

political change, which would put an end to the drain of national resources to big business.

The Party is also making great efforts to bring together the people while fully respecting the great diversity in trends of thought and in spiritual backgrounds. In this connection, it attaches very great importance to reconciling the Communists and the Christians. The fact that no political party exists in France claiming kinship to Christianity (contrary to Italy or the Federal Republic of Germany) should not make us forget that a great part of the population holds to the Christian faith or, at least, to the Christian tradition. When it first made its appearance, the French workers' movement was strongly marked by anticlericalism (this anticlericalism still continues to permeate even certain non-communist groups of the Left). The attitude of the French Communist Party is fundamentally different. Although it is deeply attached to its own vision of the world, it objects equally strongly to dividing men into those who believe in God and those who do not. Both reflect the history of our country and make up its image. Debating ideas while respecting one another's point of view? We hope so. A "war against religion"? Certainly not. It is the future which will reveal which doctrine explains the world best and is most useful to man. This historic debate is very far from being resolved. It cannot—it must not—stand in the way of reconciliation of Communists and Christians who desire a more equitable society.

The French Communists in this area do not obey arithmetical electoral considerations. As far as they are concerned, it is a question of preserving the national fabric. In a speech given in the summer of 1976, which created a great stir, Georges Marchais explained: "They would like to set us [Christians and Communists] against one another. But we are the children of the same civilization, of the same history. I am not sure that our civilization is simply Western and Christian, as they say it is. It has profited from more varied sources. But it is a fact that the historical evolution of our people fits into the frame of *one* civilization which has shaped our principles, our customs, our tastes, our way of thinking. . . . Materialists and Christians have done great things together in our country. Who would dare claim some are good Frenchmen and the others bad? Together they have made France."

Thus, we share a common historical heritage. We also share a certain number of basic aspirations (social justice, brotherhood, and peace). The objective of the French Communist Party is not that the Communists and Christians merely coexist without hostility, but still without common links. Its aim is that they should gain mutual accep-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tance, that while respecting each other's specific identity, they struggle side by side for a more humane society. Indeed, our appeal has lately enjoyed a large echo. This is a new and obviously important fact. A significant number of believing Christians have joined the French Communist Party; naturally they are not asked to abandon their beliefs, and they have the same rights, obligations and responsibilities as all the other Communists. It is, however, only occasionally that one learns that such and such a follower is a Christian; after all, the application for membership in the French Communist Party includes a heading "profession" but not "confession." Yet I must add that the main concern of the French Communist Party is not that Christians become members. The most important is the reconciliation of the Communists and the Christians, their common action. In this respect, we are aware that the number of Christians participating in social struggles is growing. We also find it noteworthy that important convergences on current problems are becoming evident between the positions of the Churches (both Catholic and Protestant) and the positions of the French Communist Party, and that useful meeetings, contacts and dialogues have taken place on representative levels.

As for the future, the French Communists do not intend to imitate the experience of the countries of Eastern Europe in this regard or in any other. If they consider it indispensable to maintain a strict separation between Church and State—the republican tradition in France—they have clearly committed themselves to respect freedom of conscience and religion in every aspect (freedom of worship, freedom of religious education by Church, the right of the Church to publish, etc.).

From this example the French Communists' approach in their appeal for a "union of the French people" can perhaps be better understood. As the Secretary-General of the French Communist Party declared, "We do not belong to a clan, nor do we represent the forces of revenge. . . . The only ones who have every reason to fear us are the 'barons' of big industry and high finance. However, we do not wish them any harm—we merely want them to *stop* being the law in our country. We want the country in a legal and democratic way to take back from them the main levers of control."

The new developments in the policy of the French Communist Party added to its well-known dynamism in the struggles of the workers at large have stimulated its growth. Although Valéry Giscard d'Estaing has felt it possible to speak of a "decline" of the French Communist Party, by the end of 1976 the Party will have registered some 100,000 new members, which will soon bring its strength to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

600,000. Furthermore, the French Communist Party is quite satisfied with the results of the recent local election. In fact, the response to the 22nd Party Congress has been very big; it is even reflected in the publication by President Giscard d'Estaing of a book entitled *French Democracy* in which we can see a labored reply to the Communists' ideas.

VI

In the foreign policy of the French Communist Party we can find again the same will to carve out its own path, a path which relates to the conditions and needs of the France of today. When I say this, naturally I have in mind the fact that the French Communist Party defines its policy, its objectives and its means of action independently and in a completely sovereign manner. It believes that there are neither "dominant" nor "subordinate" Communist parties. It tolerates no foreign interference and is even arrogant on this point.

But I have also in mind its conception of what France's foreign policy should be, in which conception the key word might be *independence*. Indeed, the French Communists are eminently patriotic. Seventy-five thousand of them died in the struggle against the Nazi occupation and for the liberation of France. In the 1950s, when French ministers succeeded one another with inordinate speed, the Communists were sharply opposed to the abnormal relations which then existed between Paris and Washington. Today, the French Communist Party still wants to guarantee to the French people the means to freely determine their destiny. It is all the more eager to maintain France's independence, for if the Left is successful, this independence will be necessary in order to proceed with the democratic reforms visualized in the Common Program, free from all outside interference or pressure. Such independence will be necessary in order to assure the pursuit of France's best interests. And it will be necessary in order to have France play a more active role on the international scene, principally in favor of a strengthening of détente.

In this regard, it is worth noting what the Gaullist general, François Binoche, said on this subject: "The Communist Party today is not a bogeyman. We do not doubt its patriotism and we refuse to consider people who represent one quarter of the French population as an anathema. We want to end this Manichaean division of France. This quarrel is ridiculous and we want it to stop."

Be that as it may, the question is often raised: "Won't the participation of the Communists in the government jeopardize the 'balance' on which détente rests?" This is not the French Communist Party's

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

intention. It is even less the case inasmuch as a tense international environment would make it much more difficult to carry out the economic and social program of the Left in France. The French Communist Party is perfectly aware of this.

As we know, the Common Program of the Left provides for France remaining a member of the Atlantic Alliance, in accordance with the terms of the treaty which France signed on April 4, 1949, and which constitutes a pledge of mutual assistance in case of a threat or of outside pressure against one of the parties. This position had already been adopted long ago by the French Communist Party. In fact, the Party rejects any "reversal of the alliances." It does not call for France's withdrawal from the Atlantic Alliance, any more than for her adhesion to the Warsaw Pact. Today it is not the French Communists, but certain politicians in the United States and other Atlantic countries who question the compatibility of the Alliance with the participation of Communist ministers in the government of France (or of Italy). While it sees no incompatibility as such, the French Communist Party adopted last June a comprehensive position on this subject: if the Atlantic Treaty partners of France, in this new situation, considered it necessary to renegotiate the terms of the Alliance, the new French government should declare itself in favor of such an approach to the problem. Moreover, this would be timely and make good sense, considering the fact that the North Atlantic Treaty was concluded more than a quarter of a century ago and the world has greatly changed since that time.

But this constitutes only one element in the foreign policy defined by the French Communist Party. There is, in truth, a considerable lag in French policy: for example, today France is one of the few powers which still refuses to countersign the existing international agreements on banning nuclear arms tests, on nonproliferation of nuclear arms, etc. The Common Program of the Left envisages immediate ratification of all of these agreements. Beyond that, the French Communists believe that France should participate in the Soviet-American accord on the prevention of nuclear warfare, an agreement which is open to all. Naturally, all these agreements are limited in character; but it is persevering in the accumulation of "such little steps" that will purify the world atmosphere and encourage international cooperation.

There are other initiatives to be taken. We all know that Valéry Giscard d'Estaing abandoned General de Gaulle's defense strategy of *tous azimuts;* now the enemy is designated in advance and so are the targets of French nuclear arms. After one of his meetings with Leonid Brezhnev at Rambouillet in December 1974, Giscard

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

d'Estaing explained that he had readily admitted to the Soviet party chief that the French military machine was directed against the Soviet Union. But, he added, he made Mr. Brezhnev take note of the fact that "in the opposite direction, the military machine of the Soviet Union is broadly turned toward the West and thus toward us and, as a result, there was a contradiction between our desire for political cooperation and the actual state of our defenses." Now, to realize this and yet to do nothing to modify this state of affairs is to crystallize a situation which is not very satisfactory for security in Europe (any more than it is for the national economies). That is why the French Communists feel that France should propose to the Soviet Union and other countries which are signatories of the Warsaw Treaty the conclusion of nonaggression pacts and other treaties not to resort to force. In this respect as well, France is a laggard as compared to the Federal Republic of Germany.

In the same spirit, a government of the Left would put an end to this abnormal situation in which France refuses to participate in the Geneva talks on disarmament and the Vienna talks on the reduction of armed forces in Europe. Of course—and the French Communists are intransigent on this point—France must make absolutely certain that her security is assured. In this respect, a government which includes the Communists will guarantee this security through an up-to-date defense policy using all the necessary means at its disposal, a security which would be genuinely national, one not integrated into NATO (in accordance with the provisions adopted in 1966), and ready to face *any* eventual aggressor. At the same time, France should participate in negotiations for the reduction of armed forces and armaments on the basis of equal security.

Lastly, the French Communist Party takes for granted the idea that France must practice the broadest possible international cooperation. It feels that France should maintain the best possible relations with the West as well as with the East. And I have in mind political as well as economic relations. It goes without saying that these relations should be based on respect for French independence. So, while the French Communists certainly intend to participate in the operation of the European Common Market (with the aim of giving it an orientation conforming more to the needs of the people), they reject the creation of "supranational" institutions in which national sovereignties would dissolve. In a general way, they have no propensity for bloc politics. French policy should be decided neither in Moscow nor in Washington—but in Paris. The French Communists feel, therefore, that it is desirable to try to go beyond the framework of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

existing blocs, and above all to go beyond their antagonistic character. Their present behavior in this respect can help indicate what it will be when they participate in the making of French policy.

VII

Speaking of the international relations of a France governed by the Left, one question must be dealt with candidly. Politicians in the West, particularly in the United States and the Federal Republic of Germany, have declared that the participation by Communists in the government, though freely chosen by universal suffrage, would nonetheless put into question the international ties of France. This is unreasonable. It must be understood that the French will not ask anyone for permission to use their right to determine for themselves their own political choices. These choices must be respected. The French Communists cannot be expected to consent to any interference at all in French affairs or to any attempt at intimidation.

Besides, it is not very realistic to contemplate "isolating" a country just because it dares give itself some Communist ministers. The fabric of the bonds—economic and otherwise—which have been established among the Western countries is so thick that any one of these nations would find it disadvantageous to break them. Businessmen are the first to know that they have nothing to gain by that. In any case, such behavior would quickly create conditions not for the destabilization of a new French government but rather for an imbalance in Europe. As a result, it would be better to orient oneself toward another solution, one which consists in having international relations based on reciprocal respect and mutual advantage. And that is how the French Communist Party sees things, particularly as far as relations between France and the United States are concerned.

When Secretary Kissinger visited Paris in May 1976, the French Communist Party published an important declaration in this connection, to which the French press gave important coverage: "The French Communist Party," it read, "is very devoted to developing normal relations between France and the United States. In this year of the bicentennial celebration of American independence, the French Communists do not forget what the ideas of liberty and progress—the ideas of the French Revolution of 1789—owe to the great struggle for the creation of the United States, any more than they forget the sacrifices of the American fighting forces during World War II in their struggle against Fascism. The French Communists feel friendship and sympathy for the American people." Naturally, the declaration goes on to say, good Franco-American relations cannot come

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

about in the face of intimidation and domination. The French Communist Party is in favor of "the establishment of true relations of friendship and cooperation with the United States, relations which can be based only on mutual respect, reciprocal advantage and equal rights."

Some weeks later, during a tremendous meeting in Paris where Georges Marchais and the Italian Communist leader Enrico Berlinguer had the floor, the Secretary-General of the French Communist Party spoke directly to the American people, crying out: "Two centuries ago, you fought for your independence; let our people choose their destiny freely." He stressed that this attitude would conform to the interest of the American people themselves, and with the spirit of our time, as experience tends to show. Commenting later on this speech on television, he added: "For me the American people are a friendly people. The Soviet people are also a friendly people, and we are in favor of cooperation with *both* the Soviet Union *and* the United States."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ross Terrill

CHINA AND THE WORLD: SELF-RELIANCE OR INTERDEPENDENCE?

The issue of China "joining the world" is an old one. There have long been contacts between China and other civilizations, yet the Middle Kingdom was for most of the time either superior or passive (or a blend of both) toward others. And once they discovered Chinese civilization, Europeans for their part often took China for fantasy rather than reality. Voltaire, like foreign self-styled Maoists today, tried to join China to the world philosophically by finding preferred universal values there, using reluctant China as a distant lever against a close-at-hand society he disliked.

If the question of China joining the world used to be one for armchair theorists of culture, it is today a hard political, strategic and economic issue. We need to know how far China will keep herself under the banner of "self-reliance" in order to assess the prospects for global interdependence. Mao Tse-tung laid the foundations for a modern China—thus in touch with the world. But he insisted on a China true to herself—thus apart, at least in spirit, from the world. Where will the emphasis lie tomorrow?

Consider what is at stake:

—The People's Republic of China (PRC) has nuclear weapons instantly deliverable to most of Asia and most of the Soviet Union.

—The shape of Southeast Asia's future will depend a great deal on whether or not China sustains cooperative relations with the smaller countries around her and with Japan.

—The U.S. anxiety over the power of the Soviet Union would be intensified by any Chinese initiative leading to détente between Moscow and Peking, equally so by any forced or voluntary withdrawal from the international scene on the part of a defeated or shattered China.

—Chinese policies on international trade, finance, aid, and en-

---

Ross Terrill, Associate Professor of Government at Harvard, is the author of *800,000,000: The Real China; Flowers on an Iron Tree* and *R. H. Tawney and His Times*. He visited China in 1964, 1971, 1973 and 1975. This article was prepared for a conference on "Interdependence and Self-Reliance in the Pacific Region," arranged by the Asia Society and held at Penang in Malaysia in November 1976.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vironmental issues have become of substantial international concern.

China's cherished principle of self-reliance was highlighted by the terrible earthquake around Tangshan in Hopei province last July. All foreign offers of help were declined, including one from the International Red Cross. Was this the correct spirit which alone can lead to development with dignity, or was it a macabre and backward-looking nationalistic celebration?

Self-reliance has also been lavishly used during 1976 as a verbal rapier passed through the ribs of Teng Hsiao-p'ing. The fallen vice premier was accused during the spring of wanting to "give up China's independence" (by making a deal with Russia?) and of wanting to "sell out China's natural resources" in order to buy high-technology capital goods from Japan and the West. But suddenly, in October, barely one month after the death of Chairman Mao, the chief leftist accusers of Teng were themselves dismissed from office and criticized for errors of line and conduct. If Teng is not vindicated in 1977, his policies probably will be. How then will self-reliance fare under the new government of Hua Kuo-feng and his military backers?

II

The PRC's principle of self-reliance seems to have four sources.

(1) In the period of the Manchu Dynasty's encounter with the West, after 1840, China became subject to the will of foreigners. Having known the pain of dependence, the Chinese breathe with determined pleasure the air of total independence. Moreover, the methods by which the Chinese Communist Party (CCP) led the Chinese people to "stand up" again owed little even to the U.S.S.R., which was supposed to be revolutionary China's sponsor in beating back the West.

(2) Self-reliance owes something to China's long tradition of cultural self-containment. China knew an isolated greatness centuries before the coming of the European nation-state or the Industrial Revolution. As late as Voltaire's day, even an educated Chinese did not know, or feel the need to know, where Britain or France or America was. Mao's success within the CCP during the 1920s and 1930s was due largely to his modification of European Marxism to accommodate Chinese cultural traditions and the social realities of peasant China.

(3) A key tenet of the Marxism to which history and culture pushed Mao is that internal factors are always decisive in a nation's affairs. The people and only the people are the motive force in history, said Mao, thus laying the foundation for a socialism of national self-reli-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ance. Revolution cannot be exported; foreign aid can only be a marginal force in development; neither foreign bases nor bombers coming from afar can tip the scales of war against an army which moves among the people as fish in water.

(4) Objective facts of China's ponderous size and agricultural economy have made self-reliance in part the rationalization of necessity. Even a loan ten times the meagre US $300 million which Mao wrung from Stalin in 1950 would only have been a drop in the bucket of China's investment need. It is very difficult, too, to conceive of any foreign nation credibly guaranteeing to defend effectively China's 3.6 million square miles against aggression. As for food, China has no option but to provide her own. To import more than a tiny percentage of the food needs of 900 million people would not be possible because such a quantity of extra grain is not available in the world and China could not pay for it if it were.

Now the first three of these four sources of the principle of self-reliance are not immutable. In fact self-reliance is being severely modified economically and politically, though not as yet militarily.

China's trade with the world rose very sharply in value during the 1970s, from US $3.86 billion in 1969 to about US $15 billion in 1975. China is obtaining short-term loans by buying turn-key plants from Western Europe, Japan and the United States, on schemes of "deferred payment" which provide for 20 percent down and the balance to be paid over a five-year period starting from the date of completion of the imported plant—also by paying eight percent interest to overseas Chinese who open time accounts in Chinese yuan at Bank of China branches in Hong Kong and elsewhere.

A certain institutionalization of China's international economic involvement also appears to be taking place. Ports and other foreign-related communications facilities are being greatly improved. More than 1,000 foreign technical personnel are living in China (shades of the Russian presence in the 1950s—but the current helpers are from Europe, Japan, and the United States). Futures markets in yen and dollars have been established for traders with China who wish to protect themselves against changes in the value of the Chinese yuan. Peking trading corporations have recently taken some steps toward international practices in the packaging and labeling of products. Nearly 50 trade exhibitions in China over the past five years have introduced millions of Chinese people to the idea of China using and even relying on non-Chinese products.

Behind all these developments lies an apparent rejection of strict self-reliance in the sense of buying only what cannot be made and sell-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing only what is left over, in favor of a tentative acceptance of the law of comparative advantage in international economic relationships. Thus China has exported cotton cloth and rice even though they are rationed at home; goods have been bought from Thailand which China seems hardly to need; copper has been imported from Chile which China could produce at home if she chose to invest more in mining.

One also sees on the political level a certain acceptance of an interdependent world. The PRC has since 1971 played a more constructive part in international organizations than most governments during the 1950s and 1960s predicted it would. Peking diplomats have not "disrupted" the United Nations. Chinese newspapers devote a great deal of space to telling the people about the United Nations. Peking has not sought to establish any rival international organizations. It voted at Stockholm in favor of a fund for the environment and has supported measures devoted to tackling problems on an international level. It accepts, as one might not expect of a regime with an autarkic tradition, the validity of a search for a "new international economic order."

China's tacit reliance on the forces and vibrations of the triangle of global power is also a departure from the tenet of self-reliance. Chou En-lai publicly stated that new links with the United States made China feel more secure in the face of threats from the Soviet Union. China's concern to oppose Russia all over the world has led China to modify Mao's principle that each people can defend itself and to quietly support American and other Western foreign bases.

So Peking relies on the United States against the U.S.S.R. and takes as the fulcrum of its foreign policy not the national autonomy of each small country but rather a tacit grouping of whoever will resist Russia by whatever means.

III

The Chinese leadership has not been completely united, however, about these departures from self-reliance. Three strands of dissent have at various times been evident.

A surge of hinterland chauvinism appeared during the Cultural Revolution and traces of it still exist. Some Red Guards called for an immediate takeover of Hong Kong, saw no need for Chinese embassies abroad, supported the right of ethnic Chinese in Rangoon to wear Mao badges and offer allegiance to Mao.

The hinterland chauvinist is reluctant to view China as merely one nation among others. He clings to wisps of the old Middle Kingdom self-understanding of China as coterminous with civilization. That the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

hinterland chauvinists of the 1960s were youthful means we should not declare this strain of thinking extinct, though the October 1976 fall of Mrs. Mao and the Left must reduce its high-level influence.

A more recent view holds that China should not rely on one superpower to help ward off the other. Related to it is a fear that to play an active part in the global triangle is to risk a loss of revolutionary principle. China should be even-handed toward Russia and the United States, this view runs, and call a plague on both their houses. This would mean either having very little to do with either superpower or having similar dealings with both.

Number 10 and number 11 in the list of 11 renegades in the official history of the CCP—Lin Piao and Teng Hsiao-p'ing—both apparently thought Mao had tilted too far toward the United States. Differences of opinion in Peking over the 1976 purchase of Spey aircraft engines from Britain suggest that some in the Politburo were uneasy about turning to the West for military help against the Soviet threat. As for the danger to revolutionary principles in playing the global triangle, Angola is the most recent of several issues over which China has lost sympathy in the left-hand corner of the Third World.

A third note of unease at nibbling departures from self-reliance was sounded during a 1976 debate about the proper way to modernize. In this and earlier debates we may identify three gradations of China's possible relation to the world economy: self-reliance as complete uninvolvement or isolation, self-reliance as freedom from outside influence, and self-reliance as freedom from outside control. No one in Peking favors total uninvolvement in international economic relationships. Not even Teng's fiercest critics, and certainly not Mao, thought China should not buy and sell abroad. All voices in the debate are on a spectrum that runs from "freedom from foreign influence" to the more relaxed position of "freedom from foreign control."[1]

The issue between these two positions is *where do the norms come from*. Those who are wary of foreign influence (e.g., the "gang of four" Shanghai extremists) start with a Chinese vision of the modernized future and then ask if anything necessary for its achievement must come from outside China. Those who insist only on no foreign control (e.g., Chou En-lai and Teng Hsiao-p'ing) believe that a full vision of a modernized China itself involves learning from others.

A related tension exists over the speed of development in advanced sectors of the Chinese economy. Some stress the rate of growth and cut a few corners of socialist theory in doing so; others stress the

[1] See M. Oksenberg and S. Goldstein, "The Chinese Political Spectrum," in *Problems of Communism*, March–April 1974, for an excellent analysis which uses somewhat different terms.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

moral concerns of egalitarianism even at some cost to the rate of growth.

How serious are these three doubts concerning China's departure from self-reliance likely to prove into the 1980s? As a framework, I suggest that the PRC's basic drives since 1949 have been to recover from the past and to recover from poverty.

IV

The past means feudal China which has not been easy to throw off: Confucian hierarchy; women as chattels; an ignorant peasantry cut off from culture; no idea of progress but rather belief in a Golden Age long since gone.

The past also means the 100-year period after 1840 when this rigid Old China encountered the West and was carved up like a melon by foreign intruders, resulting in loss of control, racist insults, and an economy twisted to suit the interests of far-off rentiers and traders, and laying bare a terrible gap between the pride of China as a civilization and the abjectness of China as a feeble nation. The dull weight of feudalism; the national nightmare of imperialism—flight from these twin demons has given New China its magnificent sense of purpose.

Recovery from poverty is equally central to the Chinese revolution. None of the Chinese leaders, "left" or "pragmatist" or People's Liberation Army (PLA) officers, romanticize backwardness. Making the revolution has called for firm values; but the point of the revolution is to modernize China. Arguments flare about *how* to do so. But no careful reader of China's press could deny that its preeminent topic is development: finding new oil; a bridge completed; health care in the villages; making colleges serve China's concrete needs; new soft drink machines and other consumer items in the cities.

Development is the name of the game. The single largest factor behind the China-Russia split has been the economic gap between the two nations. Peking officials become passionate when relating how the Russians mocked at China's backwardness ("Khrushchev even said: 'These Chinese you know—five of them share one pair of trousers'."). "Goulash" as a yardstick for successful socialism is mainly annoying to those socialists who feel relatively short of goulash.

The point is that recovering from the past has an ambiguous relation to recovering from poverty. The first is a political task; the second is largely economic. You see the ambiguity in China's attitude to the West. The West exploited China. China had to oppose it; throwing the West off was a way of dealing with the past. Yet the West was rich and modern. The Chinese Communists chose a path of modernity

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which the West already traverses in an economic and technical sense. Recovery from poverty means drawing nearer to the levels and social experience of the West.

V

Ever since the start of the Cultural Revolution, political values and economic tasks have had a tendency to tug against each other.

Was the evil against which the Cultural Revolution was directed a hangover of Old China? Mao said yes. When he disagreed with Liu Shao-ch'i on priorities he declared Liu a bourgeois. Mao saw himself driving a few last nails into the coffin of the past. Liu on the other hand saw the issues in shades of gray, as organizational problems rather than as black and white class judgments.

Can youth be trusted to grow up as sturdy pines of socialism? Mao had his doubts. They live an easy life. The heroic deeds which were a daily routine for the makers of the revolution are for these young moderns only items in a history book. But the young have their own measuring rod of virtue. A Canton boy whose father was a worker is convinced he was "born Red." To imply he is a weak socialist because he did not make the Long March seems like telling a Christian he is a fake because he did not live in the time of Jesus. The boy probably respects performance at a given task more than ideological labels written during past battles.

Has Russia's social system become fascist? Mao thought so. While at the start of the Cultural Revolution the U.S. threat to China was the key foreign issue, by its end the Soviet threat had largely replaced it. Instead of debating whether Moscow could still be of any help in meeting an American attack, as in 1965, the dominant Chinese leaders were starting to ask, by 1969, whether Washington might be an indirect help against the Soviet danger. Mao viewed Russia in the time-tested framework of imperialism.

But some PLA officers have found it difficult to accept that Russia suddenly replaced the United States as the primary menace to world socialism. Some leftists worry that supporting "stability," wherever the alternative may be increased Russian influence, means selling out on anticolonialism and world revolution. Isn't the main remaining neocolonial issue in Asia the separation of Taiwan from China? And who else but America is responsible for it?

Can China advantageously mount cultural exchanges with the West without being tainted? Economic officials, who mostly focus on recovery from poverty, say yes. China has recovered enough from past political weakness, they feel, to engage with the West free of danger

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to either her sovereignty or her psyche. Besides China needs know-how from foreign sources.

But some on the Left, in Public Security organs, or with long historical memories, are dubious about people-to-people delegations going to and fro. They argue that the era of anti-imperialism must still be sustained. They feel a greater urgency about the politics of recovering from the past, it seems, than about the economics of recovering from backwardness. You can be Red and backward, they maintain, but if you are not Red you are nothing.

Should China accept foreign credits in order to be able to import capital technology? Yes, say trade officials who have bought US $3 billion worth of turn-key plants from abroad in the last three years or so. They would like to accelerate China's promising oil industry by "deferred payment" imports of equipment.

No, say the ideologues and hinterland chauvinists who give a "no foreign influence" interpretation to self-reliance. They would, if pressed, rather cling to the long-resonant but now strained slogan "No debt abroad or at home" than push the rate of GNP growth up from six to eight percent.

How many hours a week should the student of chemistry or Japanese spend reading Engels' *Anti-Duhring* and Lenin's *State and Revolution*? Once more the answer hinges on the changing meaning of, and the relation between, recovering from the past and recovering from poverty.

With the leftist "gang of four" calling the tune in culture, students have often over the past decade spent one quarter or more of their class time on Marxist texts. Marxist ideas are viewed as a weapon against class enemies who try to use intellectual activity as a means of capitalist restoration.

But pragmatic Marxists who worked with Teng fear the Cultural Revolution sapped the quality of Chinese higher education. Turning colleges into worker-peasant-soldier study groups set back the modernization of China by years, they feel, and may even detract from China's self-reliance by forcing the import of expertise that could have been developed at home. "Those ignorant of a profession," said some pragmatists in a swipe at the idea of Redness as panacea, "cannot head departments." Teng felt political study became ritualistic and he complained that "scientists today are not given time for research."

VI

Our framework suggests that, over and above questions of faction or

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

personality, China's relations with the world will be influenced by the working out of two contradictions. Recovery from the past is largely accomplished but recovery from backwardness is not; in the political-strategic realm China is a kind of superpower, whereas in the economic realm she is a Third World nation. Second, having become a major political-military power, China will have to modify principles which drew their point from China's weak and exploited condition.

Certain specific natural and socio-political factors also bear on the fate of self-reliance. (1) Nature itself may play a part through drought, flood, and earthquake. Such natural disasters affect export capacity, as has been the case after the Tangshan earthquake, though they can produce unity stemming from a sense of siege—also evident at Tangshan.

(2) Future weapons development by China and other nations will play a role. Possession by China and her most likely enemies of long-range missiles has probably called into question some military postulates derived by the PLA from "people's war." Do younger Chinese defense strategists believe applicable to missile warfare Mao's idea of drawing the enemy in and surrounding him? Or that of waiting for a moment of one's own choosing for a counterattack?

(3) Within five years, at most, there will probably be a degree of détente between China and Russia. Peking need not construe this as a sacrifice of self-reliance, but on the contrary as a welcome end to the risks of relying on America to ward off Russia. Nor would it bring a sharp change in Chinese international economic policies. The Soviet and Chinese economies do not fit each other's needs. China must continue to look to the West and Japan for high-technology capital goods, and to the Third World for sale of her light manufactures.

But a return to Sino-Soviet civility—ideological intimacy will never return—would signal in China, whether as cause or consequence of an improved relationship with Moscow, a less distinctive Maoist path of development and less reliance on "people's war" in military strategy. Sino-Soviet détente would also ease the pinch on resources for China's agricultural mechanization and industrial modernization. It would make China less interested than during the mid-1970s in importing defense-related equipment from Western Europe. It would probably be accompanied by a greater selectivity in Third World activism: Peking might well focus mainly on Asia and less on Latin America and Africa and the Middle East.

(4) A kind of middle class starts to assert its interests and express its opinions. The events surrounding the fall of Teng saw informed public opinion play a new role in China; 1975–76 equally brought

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

insistent pressure from skilled workers for higher rewards. Additionally, there is a growing Chinese elite with recent international experience in trade, diplomacy, and cultural and technical exchanges.

All this means that methods of Party decision-making may have to become more democratic, that the economic demands of sophisticated workers will bulk large in debates on allocation of resources, and that breathtaking changes of line in any sphere of Chinese policy may become less frequent than in the era of the Great Helmsman above and undifferentiated masses below.

(5) In the balance between Peking's power and that of leading provinces and regions, the general trend has recently favored the periphery, and there are already signs that the death of Mao, as expected, will accentuate the trend by virtue of the reduced authority of Hua's central government. The center-periphery issue is politically a complex one. The Cultural Revolution Left, for example, favored an economically decentralized China but at the same time an ideologically centralized China. Regional PLA commanders often differ on this issue from central military administrators in Peking. The main points are that an internationally involved Chinese economy must needs be a rather centralized one, that Teng was criticized for trying to increase central control of the economy, and that this criticism of Teng brought at least a temporary timidity to some of China's international economic dealings during 1976. The wiping out of the Cultural Revolution Left in October 1976, as noted, will probably set in motion a retreat from the anti-Teng line.

(6) The PLA has kept its fingers mostly out of politics during the 1970s because it had burnt them doing the opposite in the Lin Piao era. It did not play a big role in the fall of Teng. Not the Army, but the leftist militia with Shanghai as its model took the lead in putting down the Tian-an men demonstration last April.

But after the Tangshan earthquake, at the time of Mao's funeral, and especially in the three months since then, the PLA has come to the fore again. Should the PLA become the major voice in the Chinese government, which it might now that Mrs. Mao and the Left have fallen, détente with the U.S.S.R. might come sooner rather than later, with consequences already summarized, and we may find that the army officers, being less sophisticated modernizers than Chou and Teng, might wish to press on with international economic relationships but nevertheless show less skill in doing so.

VII

What is the likely future balance between self-reliance and inter-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dependence? China's involvement in the world economy will continue to lag behind China's role in world politics and strategy. Recovery from the past has proceeded further than recovery from economic backwardness. Peking is no longer merely passive but diplomatically active. The scope of its concerns has become global and no longer merely national in the minimum sense of keeping the world out.

Even in China's international economic relations the steady trend is away from self-reliance. This is because the principle of self-reliance is in large part a self-protecting mechanism for the relatively weak—and China is ceasing to be weak even in economic terms.

I have referred to self-reliance as a mechanism. Indeed the Chinese term itself indicates a method, and not a goal; *tzu-li keng sheng* literally means "regeneration through one's own efforts." It can be distinguished from *tu-li tzu-chu* which means "independence" or "autonomy." Self-reliance is a method with moral and even embattled overtones. Independence or autonomy is, of course, the description of a condition.

An ideological principle such as self-reliance must be viewed in a specific sociological context; the principle changes as the situation changes. Ideology is not merely a decoration without impact on policy. Nor, however, is it to be equated with policy. It relates in important and complex ways to policy. It changes over time and it more nearly equates with policy at some times and in some spheres than in others. Self-reliance is not a fixed aim, then, but a principle of struggle for a specific situation of China's relative weakness that now passes.

Most of the sources of the principle of self-reliance have dried up. The era of imperialism that dates back to 1840 is largely spent as far as China is concerned. The CCP has, unlike even the strong dynasties, broken down China's cultural aloofness and accepted that China's history is part of world history. Even Mao's nativistic principles may soon be elevated to the level of a general ethic and thus cease to be the actual source of policy.

The fourth source of self-reliance—objective facts of China's size and agricultural character—appears the most persistent and will continue to be the major constraint against any clear-cut abandonment of self-reliance.

Yet the very success of the CCP in its pursuit of the modernizing task—the reason for existence of all Marxist regimes—chips away at what the generation of the Long March would recognize as self-reliance. Mao's Party, which in defiance of Stalin took China back into her own depths, has also set the agenda for China to join the world.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Bayless Manning

THE CONGRESS, THE EXECUTIVE AND INTERMESTIC AFFAIRS: THREE PROPOSALS

Over the past five years, there has been much debate about the proper respective roles of the President and the Congress in the field of foreign affairs. Most of the new interest in this topic is attributable to the conduct of a series of Presidents regarding Vietnam; a part of the interest arises out of the special aggravant of Watergate. As has happened periodically in American history when the people and the Congress have been unhappy with a President's performance, the pendulum of power has swung eastward on Pennsylvania Avenue toward the Capitol. Out of the recent executive-legislative tug-of-war have come a new War Powers Act, undertaking to give the Congress a larger role in future commitments of U.S. forces, and legislation designed to provide a greater degree of congressional oversight over the activities of the intelligence community. The decline in presidential prestige has also made it easier for the Congress to stymie the executive branch on specific foreign policy issues, and made it possible for special interest subconstituencies to exert determining influence on national policy through local pressure on members of the Congress.

Recent reforms in congressional-executive relations represent an improvement over the past. But their impact will almost certainly be marginal in the long view and it appears that the direction of the tide has already turned. With a duly elected President in office in January, presidential prestige will rise, Vietnam and Watergate will fade further into the smog of time, new international circumstances will produce new situations in which the nation must act, and it is predictable that the presidency will effectively reassert its primacy in international matters that involve national security.

When at last we shall have ceased to debate yesterday's crisis and correct yesterday's abuse, we can turn attention to new and urgent problems that afflict our governmental machinery for making foreign policy. I believe we shall soon have to make major architectural changes in the way the Congress and the executive work, and work to-

---

Bayless Manning is President of the Council on Foreign Relations and was Dean of the Stanford University Law School, 1964–71.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

gether, on foreign policy matters. We shall have to do this not because certain Presidents abused their powers, but because the basic character of the international affairs agenda has changed in a way that will require it.

II

The classical agenda of international relations mainly revolved around issues of boundaries, spheres of influence, national security and balance of power. Those issues are still alive, as every day's newspaper reminds us; balance-of-power politics will continue to make up a major part of tomorrow's international docket. But today's international agenda has dramatically expanded. The Arab oil embargo and OPEC price action of 1973, and their aftermath, offer a prime illustration of that expansion, and a brilliantly lit preview of the character of tomorrow's international agenda.

As in the oil crisis, the lives of tomorrow's foreign policy practitioners will be crowded with politically pressured negotiations about economic matters. Much of this bargaining will involve smaller, nonindustrialized countries. Increasing interdependence in the world's economy has redistributed international bargaining power on a number of key issues. As the world has become increasingly aware that its resources are not infinite, and as international norms of behavior have changed, the historic ability of great military powers to impose their will is diminishing. Small, militarily insignificant nations now sometimes find themselves able to swing great weight on particular issues.

How to distribute trade, income and resources among nations, how to allocate declining and expensive reserves of raw materials, how to decide what will be manufactured where, how to guarantee the continuity of the flow of supplies, how to assure continued access to markets, how to allocate resources not yet exploited, such as those of the seabeds—these, and an endless list of similar questions, will be persistent international problems.

Beyond the agenda of direct economic relations, even broader issues will present the United States with extremely difficult political, moral, and economic choices. Examples are protection of the earth's environment; surveillance over emerging technologies such as weather control; the world's exploding population; and the terrifying prospect of recurrent large-scale starvation.

Interdependence means vulnerability. A disruption of supplies, a change in pricing or a shift in the global environment does not simply inconvenience one country or another: it can dislocate whole econo-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mies, ways of life, and worldwide systems of production, employment, sales distribution, finance, investment and use. Since all, or almost all, countries have a stake in the outcomes of these issues on the new international agenda, many will press for a participatory role in determining those outcomes. Increasingly, international negotiations will be multilateral rather than bilateral. Current examples include the Law of the Sea Conference, the Jamaica meeting on the international monetary system, and a complex of interrelated negotiations going on in several places at once between more industrialized and less industrialized countries under the general rubric of a "new international economic order."

The new international agenda exhibits two striking characteristics, from the perspective of one who is interested in the process of foreign policy formation in the United States.

(1) Though the United States is incomparably the world's greatest economic power and remains (more challengeably) the world's foremost military power, we are no longer Gulliver in a world of Lilliputian states. As to the items on tomorrow's international agenda, the United States cannot obtain what it will by simply expressing that will. As other nations must, the United States today has to negotiate for what it gets on many issues. In negotiations, one must often make difficult trade-offs, settle for half a loaf, or even make do with damage limitation. The American people have not been conditioned by history to that kind of foreign policy. In anticipation of tomorrow's realities, a wise investment of political leadership by the new Administration would be to prepare the American public for the raw necessities of a negotiatory life.

(2) Most issues on the new international agenda have an immediate and profound impact upon domestic interests in the United States. The oil embargo and price rise were eloquently instructive on the point. The crisis began as an event in the field of international relations, played out against a classical backdrop of international power politics. But it immediately started all sorts of domestic rabbits. The press, the Congress, and much of the public suddenly discovered that energy is essential, its traditional sources are finite, it will not always be cheap, and the nation has no energy policy. The ensuing debate brought to the surface a host of issues of domestic public policy and domestic interests: the illusion of future U.S. self-sufficiency; the need to invest hundreds of billions of dollars to finance pipelines, refineries, docks, drilling and exploration for oil; the need for new research programs to harness exotic energy sources and make better use of present ones; radical proposals for pricing, taxation and rationing to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

constrain energy use and to allocate in a politically acceptable way the pain of reduction of use; highly emotional clashes between environmentalists and those seeking to develop energy resources; attacks against oil companies, public utility companies, politicians and anyone else in range in an unedifying scramble to find scapegoats; xenophobic fears that foreigners were about to buy up American industry and panicky proposals to block the recycling of dollars that is essential to balance the monetary system; ideological rethinking about economic growth; national security worries; etc.

Similarly, though less dramatically, the recent controversy over U.S. grain sales and embargoes showed how deeply the roots of international issues are planted in domestic political soil.

Of course foreign affairs and domestic politics have sometimes been visibly intermingled in our national past: the tariff issue is the obvious case. But until recently, such issues were exceptional, while traditional balance-of-power issues made up most of the foreign-relations agenda. But the exceptional has now become preponderant. The issues of the new international agenda strike instantly into the economic and political interests of domestic constituencies.

Underlying this new development are two major factors. The economic interdependence of the modern world is more than international. It is also inter-local. Interruption in the flow of a particular exported or imported commodity may or may not seriously disrupt the economy of a nation as a whole, but it is certain to raise hob with particular domestic regions, industries, farmers, or workers. In the United States today, almost every region and every economic group is in some way in the export or import business or, usually, both. As a result, every jiggle in the pattern of the international economy is likely to pinch some local group in the United States and convert it immediately into a vocal group. The other factor has already been mentioned. The international agenda itself has changed so that modern diplomacy is increasingly taken up with homespun economic subjects like fishing limits and commodity prices, as to which one or another set of domestic interests are deeply concerned and, quite rightly, see themselves as more expert than the denizens of the world's foreign ministries.

These new issues are thus simultaneously, profoundly and inseparably both domestic and international. If I may be permitted a coinage whose very cacophony may help provide emphasis—these issues are "intermestic."

Is the present foreign policy machinery of the U.S. government suited to the necessities of international negotiation on such "inter-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mestic" issues? I think not. The Congress is not geared to deal with them; the executive branch is not organized to do so; and the two branches have no adequate mechanism for working together on them. Thus in response to the new international agenda, I propose three interrelated changes in our foreign policy machinery.

III

However power may be, or ought to be, shared between the Congress and the White House on issues of national security and traditional diplomacy, it is evident that on intermestic issues both branches should be, and will be, intimately involved. No President, no executive branch, will ever be able to deal alone with the oil energy problem, however dominant the leadership of the President in traditional foreign affairs. On any subject as vital to the average American as the price of gasoline, it is inconceivable that the Congress can be excluded. So long as there is a Congress of the United States, it will play a major and often determining role in intermestic issues.

As to issues of this type, therefore, the question is not whether the Congress should have a major say but rather (i) how should the Congress organize itself to discharge that assignment responsibly and (ii) how can the legislative and executive branches achieve acceptable levels of coordination.

The inherited constitutional structure of the United States certainly does little to help the nation arrive at and conduct a consecutive foreign policy. Having ordained a government of separate branches, the Constitution says virtually nothing about how foreign policy is to be formulated or conducted by them. Treaties are to be made by the President with the consent of two-thirds of the Senate; war is to be declared by majority vote of both houses of the Congress; the President is Commander in Chief of the armed forces; tariffs, as revenue measures, are legislated by the Congress; the President appoints ambassadors by and with the consent of the Senate; further, the Constitution saith not.[1] One can clearly see in these provisions a mirror reflection of the simple classical agenda of international affairs dealing with treaties (for the most part about boundaries), representatives abroad (ambassadors) and national security.

Other factors beside constitutional obscurity and separation of powers make disorderly the Congress' treatment of foreign policy

[1] Of course, other broadly granted constitutional powers bear upon the authority of the Congress and the President in the conduct of foreign affairs; for example, Congress' authority to raise and support military forces, to borrow money on the credit of the United States, to regulate immigration and naturalization, and to punish piracies and felonies on the high seas and offenses against the law of nations.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

issues. The progressive dilution of party discipline is one factor. Decline in the authority of congressional leaders is another. Those reformers who were so eager to eliminate the seniority system for selecting committee chairmen did not often pause to reflect whether a Congress with no heads might be worse than a Congress with old heads. But most students of the Congress point to the committee system as the primary impediment to deliberative legislative action on complex issues. Each congressional committee is a barony, protective of its independence, jurisdiction and prerogatives. Subjects that are complex and interrelated—such as the appropriate U.S. political posture toward, trade with, and military and economic assistance to a particular foreign nation—are chopped up among several independent committees in each chamber and are never reassembled to make up an integrated whole for consideration or action by the Congress. Trade matters come before at least four separate committees of the Senate. International grain sales and surplus grain aid programs are under the jurisdiction of the agriculture committees of the Congress, where their foreign policy implications are likely to be given little attention. The splintered committee structure virtually precludes any process of congressional trade-offs through which local and special interests can be subordinated to broader national interests. The power of the committee process has, at the same time, all but displaced floor debate by the full chamber as an integrating deliberative procedure.

These structural problems of the Congress are deep-seated and probably ineradicable. We must, as a practical matter, take the fundamentals of the existing structure as a given. What, then, can be done that would fit compatibly with the existing structure of the Congress; improve the prospect that the Congress would consider intermestic issues in an interrelated way; enhance the likelihood of the emergence of strong congressional leaders who are well informed about such issues; and enable Congress to mesh its procedures better with those of the executive branch?

PROPOSAL I:
JOINT COMMITTEE ON INTERNATIONAL AND DOMESTIC AFFAIRS

It is proposed that the two chambers of Congress establish a new Joint Committee on International and Domestic Affairs (JCIDA). ("Intermestic" sounds too barbarous, even to its inventor, to be attached to a public body.) The membership of the proposed new Joint Committee would be made up of the chairman and ranking minority member of each of the committees of each house that regularly deals with a significant fragment of the nation's international affairs. Most

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

obviously, these would include the foreign relations committees, the armed services committees, the banking committees, the commerce committees, the agriculture committees and the finance and ways and means committees. Whenever a particular item on the agenda of the Joint Committee concerns the jurisdictional interests of other committees of either house—as for example, the labor committees, or committees charged with civil rights issues—their chairmen and minority leaders would be invited to sit with the Joint Committee.

The new Joint Committee would not displace the jurisdiction of any existing committee of Congress. The key to the usefulness of the Joint Committee would lie in its location in the stream of congressional work. The Joint Committee would be the entry point to the Congress for presentations and proposals by the executive branch on all intermestic issues. Such proposals would still, as at present, be broken up into component parts and distributed among separate committees of each house, but not until a full presentation to the Joint Committee had been made. Thus, the chairman and minority leader of each affected committee would in the first instance have the opportunity, and the obligation, to hear the presentation in its full context of domestic and foreign considerations before the Joint Committee, and to hear the questions and comments made by the leaders of the other affected congressional committees.

Similarly, once action had been taken on intermestic matters by the appropriate separate committees of special substantive jurisdiction, the item would be returned to the Joint Committee before going to the floor of the houses of Congress. Ideally, the matter would not then be allowed to go forward without a majority and minority report of the Joint Committee, providing the chambers with a sense of the matter in its full international and domestic context. As a matter of near-term politics, however, it may be too much to hope that the new Joint Committee would initially be given such great leverage. To start out with, then, the Joint Committee would be given a prescribed period of time (30 days?) within which to review each matter that is sent to it from the substantive committees, at the end of which time the matter would proceed to the floor of the chambers with or without reports from the Joint Committee.[2]

As with other joint committees, the chairmanship of the new Joint Committee would alternate regularly between the chambers of the Congress. The chairmanship would also have to rotate among the

[2] Ideally, too, the Joint Committee would have an opportunity to review or comment on the work output of conference committees where a legislative proposal falls within the jurisdiction of the Joint Committee. But that is a refinement, and, given the way the conference committee process works, will perhaps never be a practical possibility.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

constituent committee chairmen who regularly sit on the Joint Committee. There would be no formal voting in the Joint Committee, since its membership structure would always produce a 50-50 party representation.

Indispensable to the success of the Joint Committee, however, would be the creation of a small but sophisticated staff specifically chosen for its policy range and its sensitivity to the interrelationships between foreign and domestic political considerations. Another determinant of the success of the Joint Committee would be the dignity accorded it by the executive branch, which will be discussed more fully later.

In offering this proposal, I draw some considerable hope from Congress' recent establishment and use of its new budget committees. The creation of these new committees with their separate and central staffs will likely prove to be the single most important change that has been made in the U.S. government in this century. In creating these committees, the Congress has acknowledged for the first time that decisions on governmental program expenditures call for policy priority choices, that revenues and expenditures should have something to do with each other, and that everything is related to everything else.

The existence of the budget committees also constitutes a congressional recognition that the sum of the programs approved by the Congress constitutes a national budget and that the size and configuration of that budget as a whole is of the utmost significance to the performance of the economy. Reversing the procedure (or lack of it) that had hitherto always been followed by the Congress, the budget committees and the chambers now start by targeting the scale of the total budget, and the balance of revenues and borrowings that will be used to support it. The separate substantive committees are then faced with the task of negotiating out a national package of programs that does not exceed the pre-targeted total. To the astonishment of most observers, and many members of Congress, this experiment in rational governmental decision-making is actually working. Critical tests remain to be passed. But it is widely understood in the Congress that its future as a responsible organ of government may well hang upon its ability to make the new system work.

The proposal made here differs from the Congress' new budget committee approach in that it calls for a Joint Committee. It is also different, and politically far easier to implement, in that it does not demand the collective self-discipline that is required by the new budget process. But despite these differences, the two plans are similar

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in concept and approach. Both stem from the need to integrate matters that are inherently interconnected but that in the past have been disassembled by the Congress's procedures and never reassembled. The proposal made here is also akin to the new budget system in that it creates an overview committee to perform the function of integration without disturbing the existing structure of substantive committees.

Joint committees tend not to be a very popular idea on Capitol Hill. But the Joint Committee proposed here, having no substantive legislative authority of its own, lies within the range of the politically feasible, once the need for it is recognized.

IV

In the executive branch, some degree of coherence has been brought to foreign policymaking in the national security field by the creation of the National Security Council, with its mix of the highest levels of the Defense Department, the State Department, the intelligence community and the White House. But no effective executive machinery exists to deal with non-security international issues or issues that are a scramble of foreign and domestic considerations. When it comes to handling such issues, the executive branch is nearly as fragmented, internally uncoordinated and subject to special interest pressures as the Congress. Coordination is achieved, if it is achieved at all, only at the desk of the President.

It seems to be the vision of every old State Department hand that foreign affairs belong to the State Department and that all other U.S. officials, appointed and elected, ought to stay out of such matters because they do not understand them and will simply muck them up. While the State Department appears at last to have reconciled itself to the participatory presence of the Defense Department and the NSC in issues of national security, this concession has permitted the State Department to concentrate its bureaucratic defenses on trying to fend off its next most threatening boarding party, the Treasury, where battle had been joined for a generation.

The thesis of this article implies that even more grave problems lie ahead for the doughty defenders of the State Department's traditional borders. The heart of the matter is that there is no way in which the State Department can effectively manage the exploding range and substantive complexity of the newly emerging international agenda. As a technical matter, the Department cannot manage the new flood because it does not have, and cannot have, the in-house expertise to develop positions on all current international issues or to represent those positions simultaneously at dozens of bargaining tables.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

These are bad days both for diplomats in the field and for their home dugout, the foreign ministry. Modern communications technology, and the unlimited destructiveness of modern weaponry, have led prime ministers around the world to concentrate control of national security issues in their own hands. Today's ambassador tends to become a message carrier at the other end of the telephone, or not even that, as personalized diplomacy takes place on the hotline over his head and perhaps without his knowledge. And now, as the international agenda expands, the already beleaguered foreign ministries are being outgunned by the specialized expertise of other departments in their own governments. Accidents of history and personality have led to high public visibility for the present Secretary of State of this country. But that circumstance is unique. How many other sitting foreign ministers can the reader name?

In the case of the United States, the future position of the Department of State is particularly parlous. Not only does it lack the expertise to manage the new intermestic agenda, but it does not have, and cannot have, the domestic political base to do so. All other executive departments, and the Congress, are predominantly domestic in orientation. The Department of State alone has no significant domestic constituency to which it can look for support on Capitol Hill. That state of affairs has always made it difficult for the Department to carry the day without major political investment by the President, even when the question arose out of the conceded preserve of the Department, the traditional diplomatic agenda. Now that this is changing, there is no possibility whatsoever that the Department of State will be able to call the policy shots on questions that impinge drastically on the concerns of domestically oriented departments of the executive branch and on special-interest domestic constituencies who have direct channels to members of Congress.

Questions like U.S. policy on grain sales and on energy will not be left to the Department of State. Even if the policy results that State produced were sound, they would not be politically accepted. Indeed, on issues of the new intermestic variety, the State Department, far from enjoying a jurisdictional monopoly, will find itself hard put to bring the domestically oriented agencies to recognize that there really are important foreign policy perspectives that need to be taken into account, and that for good reason there is at least a partial role to be played by the State Department.[3]

[3] The evident inference to be drawn is that the Department of State stands in need of redefinition of mission, major changes in its pattern of operations, overhaul of its personnel practices and recasting of the way the Department fits into other components of government, federal and local, appointive and elective. But that is another article—or book.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The problem then becomes: how should the executive branch deal with intermestic issues in a way that combines the overseas perspective of the Department of State and those of the affected domestically oriented departments?

One possible avenue would be to construct within the White House staff a mini-mirror version of each of the executive departments, and then to hammer out departmental conflicts within the White House, under the gavel of the President's chief of staff. That system could be made to work after a fashion through the construction of a huge White House staff. But the disadvantages would be so great, and are so obvious, that we need not pause to rehearse them.

A second possible avenue would be for the President to try to elevate the Secretary of State a head higher than other Cabinet members, and make him a "lead agency," or convening authority vis-à-vis the rest of the Cabinet. But the essence of this approach has been tried before, and it hasn't worked. It fails mainly because the political gravity of all the other departmental players is greater than that of the Department of State. Where, on intermestic issues, the domestically oriented agencies feel they have very large interests at stake, a "lead" role for the State Department cannot be effectively maintained.

V

This leaves one other option—use of the Cabinet itself. A few remarks on that topic are required as a preliminary to the second proposal made here.

Quite apart from questions of foreign policy, it is generally agreed that Presidents ought to make more use of their Cabinets as deliberative bodies. But many factors conspire against that result. By and large, individual Cabinet officers perform satisfactorily in administering the programs of their departments, but the President's needs are much greater. He needs advisers who share his integrated perspective; Cabinet members tend to be Balkan. He needs monitoring and evaluation of program performance; Cabinet members run the programs that need to be monitored. He needs initiative; Cabinet members tend to defend. The President needs to sort out priorities among multiple objectives and multiple claimants; Cabinet secretaries are themselves competitive claimants. He needs buffers between the White House and special interests; the departments are organized along the lines of special-interest constituencies, and often become conduits for those interests. As a consequence, Presidents in modern times have found that they had to deal with each Cabinet member individually (or even not at all) and have turned for advice, initiative, evaluation and co-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ordination to a large and growing White House staff. Everyone agrees in principle that that is bad.

Can anything be done to improve this situation and in the process contribute to a more rational handling of intermestic issues? Two changes would help a great deal.

First, the Cabinet need not sit *en banc* but can often work better in panels, grouped by subject. The Cabinet is too large to function well as a deliberative body. Moreover, most issues do not engage the interests of all Cabinet members. There may be some educational dividends for Cabinet members who are uninvolved in a matter to sit silently through a debate between two or three others, but the cost is so high in lost time and frustration that the gain is not worth the candle. Indeed, the requirement of full attendance reduces presidential resort to the Cabinet. Some formal structures that already exist are really Cabinet panels. The National Security Council is one, and the Domestic Council is another. Others can be created on a standing basis or ad hoc.

The second change required is the creation of a separate Cabinet Staff. The Cabinet Staff (which should be very small—not more than ten or twelve people) would not be a staff called upon to deal substantively with policy matters. It would serve exclusively as an engine to convert the Cabinet into an effective deliberative body. To that end, the Cabinet Staff would be assigned two primary functions: to identify, develop, and set the timing for the agenda of issues to be considered by the Cabinet, or panels of the Cabinet; and to see to it that each agenda item is properly briefed by the departments, that the important questions and policy options have been sensibly laid out, and that necessary documentation has been predistributed to all interested departments and agencies. The Cabinet Staff Director would report directly to the President.

A major job for the Cabinet Staff would be to match the right issues with the right Cabinet panels, to see to it that Cabinet members know what agenda items are coming up, and to be sure that Cabinet members are invited to attend when they can be useful and are not required to attend when their interests are peripheral. However, the duties of the Cabinet Staff should not include the task of action follow-through on Cabinet decisions. Once the Cabinet decision has been reached and responsibility for action has been fixed upon one or more departments or agencies, it should be up to the Office of Management and Budget (and ultimately to the President's chief of staff and the President) to see to it that the relevant department or agency carries out its orders.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PROPOSAL II:
INTERNATIONAL AND DOMESTIC AFFAIRS COUNCIL

Assuming a Cabinet that is accustomed to meeting in panels, and that has a Cabinet Staff of the sort described, there should be created one such panel on a standing basis to deal with intermestic issues—the International and Domestic Affairs Council (IDAC). Security issues will continue to be handled by the NSC.[4]

Some Cabinet members, such as the Secretaries of State and Treasury would be permanent members of IDAC. Other members would vary with the agenda issue on the table. The *Concorde* issue would, for example, require the participation of the Secretary of Transportation. The Secretary of Interior and the Secretary of Defense would have a stake in the issue of the Trans-Canada pipeline. On trade matters, the Secretaries of Commerce, Agriculture and Labor would be key participants.

The panel contemplated here bears a family resemblance to the NSC, and the resemblance carries as far as the conclusion that a special assistant (but not the National Security Adviser) should chair IDAC in the absence of the President or Vice President. One resists this conclusion, because it implies another major presidential assistant, but it seems to be the only feasible answer. The precise function of IDAC is to struggle with issues on which parochial departmental interests divide the Cabinet; only the presidential perspective is sufficiently far above the departmental fray. Any cross-departmental issue that cannot be resolved within IDAC will ultimately have to be decided by the President in any case.

The NSC analogy must not, however, be overextended. In particular, it is not part of the present proposal that the presidential special assistant who chairs IDAC should develop an independent staff capability. One purpose behind the creation of a Cabinet Staff is to install a vehicle that will bring to bear the staffs of the departments and head off the buildup of super-staffs at the White House level. IDAC must be made to work through the substantive staff work of the departments, with the Cabinet serving only to orchestrate and array the material.

In intermestic matters, the task of policy integration *must* be done

[4] Authors Graham Allison and Peter Szanton in their forthcoming Council on Foreign Relations book, *Remaking Foreign Policy: The Organizational Connection*, also argue for greater use of the Cabinet, and their careful analysis is recommended reading. Their suggested solution, however—elimination of the NSC and creation of an Executive Committee of the Cabinet—strikes me as far less feasible politically, more rigid, and more difficult to manage than the narrower proposal made here for an adjustable IDAC with a jurisdiction that is limited and supplemental to that of the NSC.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

somewhere in the executive branch. Trade-offs and development of truly national policy cannot take place within a department. The NSC makes no sense at all as a forum for such issues. No one favors a future explosion in White House staff and intra-White House decision-making. There being no IDAC for this purpose today, it will have to be invented. Its future is further brightened by the fact that no obvious political or bureaucratic impediment blocks its creation.

VI

It was earlier noted that it is essential that the executive branch treat the proposed Joint Congressional Committee on International and Domestic Affairs very seriously. By whom should executive presentations be made to the Joint Committee, and how? If the key congressional chairmen are expected to assemble for the purpose, shall the executive branch send less? I think not. In at least some circumstances, the departmental secretaries who comprise IDAC should appear as a group before the congressional committee chairmen who comprise JCIDA. The novelty of that prospect should not deter. What more dramatic way could be found to project politically to the Congress and, in those meetings that are open, to the public and the media, that foreign affairs and domestic affairs are one, that in today's world the United States will often have to sacrifice *Y* to gain *X*, and that the government is a unity, pursuing national objectives, and not simply a sum of special interests? The power of that demonstration might have the most extraordinary effects upon the conduct of the Congress itself.

Moreover, while part of our problem with intermestic issues lies within the legislative branch and part lies within the executive branch, a large part of it lies in the extraordinary fact that we have no machinery of any kind for conducting a sensible relationship between the two branches of government. In domestic affairs that has proved to be an arrangement we can live with. In traditional international affairs, it has proved to be an arrangement we can live with—but just barely. In tomorrow's intermestic affairs it will be an arrangement we cannot live with.

PROPOSAL III:
UNITED STATES COUNCIL ON INTERNATIONAL AND DOMESTIC AFFAIRS

I therefore offer as a third proposal (first drawing a breath in recognition of its radical nature after 187 years of constitutional history) that it is time that the logic of the situation not only be noted but followed. If IDAC is discussing intermestic issues across depart-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mental barriers and the Joint Committee is discussing the same issues across committee barriers, is it really precluded by Montesquieu that the members of IDAC and the members of the Joint Committee might from time to time sit down together to discuss the same issues? When the Joint Committee and IDAC meet together in joint session they would compose the United States Council on International and Domestic Affairs, the first such permanent joint body in the nation's history.

I do not invite operating problems, not to say constitutional challenges, by proposing that the United States Council be given any decisional responsibility or any line operating responsibility. This proposed new conjoint vehicle would be a consultative forum only. It is designed to do that which we have no way to do today, and which we must find a way to do—to consider mixed domestic and international issues in the round, and to do so in both the legislative and executive branches. To cite a currently active example, when it became clear that a worldwide negotiation on the Law of the Sea was about to be convened, the conjoint executive-congressional Council proposed here would have been the right forum in which to preview the dozens of tangled foreign and domestic issues that are at stake in the Law of the Sea Conference—issues involving the nation's navy, merchant marine, fisheries, energy sources, extractive industries, environment, and political relationships, especially with the Third World.

The obvious candidate for the chairmanship of this conjoint congressional-executive body is the Vice President, the only officer we have who has one foot planted in the executive branch and one in the Congress—and who has the advantage (for present purposes) of being an overexperienced and underemployed chairman.

The saying on Capitol Hill is that "The executive branch always wants us in on the crash, but never lets us in on the take-off." The statement is now a cliché, but clichés become so because they are essentially true. It is a fact that we have no ordered way for the executive branch and the legislative branch to talk to one another about foreign policy questions and to do so in advance. The executive branch cannot converse with 535 members of Congress. The decline of towering authority figures within the Congress has meant that it is no longer possible for the President to secure congressional advice and cooperation by having a few informal chats with a handful of leading figures. As the international agenda increases in complexity, we now have no alternative but to construct formal vehicles for interchange and interface, and the pressure of events demands that we construct those new channels quickly. A conjoint two-branch United States Council for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

International and Domestic Affairs, even though meeting only occasionally, would provide that vehicle.[5]

VII

Though Proposals I and II are politically feasible, they will obviously raise some functional operating problems. Who, for example, would determine that a particular issue represents such a mix of international and domestic considerations that it should go to IDAC and the Joint Committee? The problems inherent in Proposal III are more profound. The question is not whether the United States Council could be convened. It could. The problem is whether such a joint body could be made to work together. Would executive branch officers level with their congressional counterparts in discussing serious current policy matters? Would the members of the Joint Committee deal responsibly with confidential information on, for example, U.S. bargaining positions in international negotiations? Given the time pressures on the daily lives of Cabinet secretaries and congressional committee chairmen, is it futile to hope that *any* arrangement would engage their attention sufficiently to deal in an orderly way with complex multifaceted questions?

The answer to these, and similar, questions lies not in detailed procedural responses but in several fundamental propositions.

(1) We really must understand that the subjects under discussion here are neither abstract nor peripheral. We are not talking about marginal improvements in governmental efficiency. The simple truth is that our present institutional arrangements for framing foreign policy outside the national security field cannot cope successfully with the international agenda that the flow of current history is forcing upon us.

The storm flags are flying. Our structural inability to deal with international/domestic energy issues is one signal. Congressional amendment of the Soviet trade agreement is another. Congress' inadvertent indictment of Venezuela as a member of OPEC is another.[6] Whatever the merits or demerits of particular policies on these matters, each

[5] What about the national security field? Would it not also make sense to create a congressional Joint Committee on National Security and then to bring that Joint Committee together periodically with the National Security Council to form the United States National Security Council? Yes, it would be a good idea and it should be done. But the need for that move is less acute. First, following Vietnam, both branches are more sensitized to the problem of cooperation in national security matters. Second, I believe the major responsibility for national security matters lies with the executive branch, and will gravitate there over time. Third, congressional-executive communications are better in the national security area than in other areas. And, finally, despite the life-or-death character of national security issues, their complexity and the need for interrelating them with domestic policy are not as great as in the case of intermestic issues.

[6] I omit items taken from the national security field, such as congressional action on arms for Turkey and the Saudis.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

represented a recent failure to develop and sustain a consistent national policy in dealing with other countries.

Consider the Law of the Sea Conference, soon to meet for its fourth session over a period of as many years and involving over 150 negotiating countries. Over the objections of the State Department, Congress has already made a major unilateral change in law in the midst of the negotiations. When, at last, a treaty of some kind emerges, it must go to the Senate for two-thirds approval. We cannot simply hand the treaty—complex and controversial—to the Senate and expect them to ratify it mechanically. On the other hand, the United States cannot live internationally with a working procedure under which 34 Senators (or fewer) can at the last moment reject out of hand the delicately balanced product of four years of multilateral bargaining. We must instead find ways to engage the two branches in a serious manner before and during the negotiations.

The Law of the Sea is but one example. The flow of the new international agenda, largely made up of intermestic issues, has barely begun. We have no choice but to adjust ourselves to deal with these conditions. The particulars of the three proposals made here are not critical. But their basic elements are responses to the three fundamental components of our problem with intermestic issues. The Congress must find a way to draw on multiple constituencies and still combine the responses into an aggregate; the executive branch must do the same; and the two branches must interface continuously and in advance of, not after, policy decisions.

Action along these lines has become imperative. Obstacles there will be—mainly grounded in conservatism and habit—but they simply must be met as they arise, and overcome.

(2) There have been times when the behavior of the State Department, and executive branch, has implied that they consider the Capitol to be inhabited by victims of arrested development or worse, and that the Congress may rightfully be called upon not only to endorse, but to cheer any foreign affairs action proposed or taken by the executive branch. In turn, there have been members of the Congress whose expressed attitude toward the State Department has been open hostility and toward the executive branch has been "Don't ask me what to do. You figure out what to do, and if I don't like it I'll kick hell out of you later." Intelligent governance of the nation does not require that the executive branch and the legislative branch agree with one another on every major issue—though a little agreement now and then is nice. But—as in other marriages—if our government of separated powers is to function successfully, both parties must be determined that it will

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

work, and must work at creating ways to make it work.

(3) The emergence of the new international agenda will force the United States to face up repeatedly to a weakness in its governmental structure that is of the most fundamental character. All nations contain clashing pluralistic interests within themselves. But to a unique degree, the machinery of government of the United States has been expressly designed to institutionalize pluralism, to divide power, to increase the number of possible vetoes, and to give strong leverage to small interest groups. The United States will, in the future, be engaged in an endless process of international negotiation about matters of major national importance. Our foreign policy positions in these negotiations must be developed and pursued with an eye for the collective interest of the nation as a whole and not the particularistic interest or viewpoint of this or that subgroup. The largest single challenge facing responsible political leadership in the United States today is the need to communicate to the public at large and to subconstituencies that the first interest of the government must be—and the primary interest of every citizen should be—to keep the ship of state on a course that is satisfactory not necessarily to each passenger but to most of those on board.

Many issues in international negotiation can only be resolved by trade-offs involving packaged linkages between unrelated items. To pry open a foreign market for exports of U.S. agricultural commodities may require opening the U.S. market to imports of foreign industrial products. Such trade-offs can often produce net results that are strongly beneficial to the collective national interest of the United States but may disadvantage the interests of some U.S. domestic subgroups. In such situations, and they occur daily, an organized special interest group that fears prospective disadvantage will seek to summon the aid of members of Congress or key officials in executive branch departments. Where the political balance in a Congressman's district is close, and such an interest group is locally strong, he must listen to the group attentively or decide that political life no longer interests him.

Congressmen and executive officials do not willfully subordinate the broader interests of the nation to the pressures of a particular economic group, religious or ethnic element, or industry. But politically they often have no choice. A major objective of any organizational reform of the Congress should be to strengthen the institutional supports and incentives for members of Congress to respond to national policy perspectives and not simply to local policy perspectives. For the member of Congress who chooses to subordinate national perspec-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tives, and deliberately plays to his own local gallery only, changes in the institutional machinery of the Congress will be immaterial. But members of Congress who would prefer to vote on the basis of the national perspective are in need of, and eager for, buttressing support against pressures of particular interest groups in their own communities. Those members of Congress would be greatly helped by the three integrative bodies proposed here, particularly the Joint Committee on International and Domestic Affairs.

VIII

In sum, these three proposals would help the Congress to consider international/domestic issues in the round, would encourage the development of educated congressional leadership and would assist the Congress in arriving at balanced positions. They would help the executive branch do the same thing, vitalize the functioning of the Cabinet, and make it possible to draw on the differing perspectives of the separate departments and their constituencies. The proposals would improve the working relationships between the two branches of government and would help both branches fend off special interest subconstituencies striving to harness the nation's policy to their own ends. Both branches would be helpful in their goal of developing through open democratic procedures foreign policies that will best serve the interests of the republic as a whole.

That would be quite a harvest to reap from three procedural steps that can be taken at substantially zero political and dollar cost.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Marshall D. Shulman

ON LEARNING TO LIVE WITH AUTHORITARIAN REGIMES

Among the problems experienced by democratic societies in managing their foreign affairs, none have been more beset with dilemmas both moral and practical, nor accompanied by more dispute and self-doubt concerning fundamental aspects of the democratic faith, than those arising as a consequence of relations with authoritarian regimes.

In the aftermath of recent revelations of unlawful practices in high places in the United States and of other traumas both here and abroad, a riptide of conflicting reactions has set in. Some have been moved to view the differences between democracy and authoritarianism as a matter of degree. As an antidote to an earlier self-righteousness and the inclination to regard our actions in the world with excessive self-indulgence, this reaction to the American fall from virtue has definite therapeutic benefits. But in extreme measure, it has reinforced the loss of confidence in democratic societies as the chosen people of human progress, and in the capacity of self-government to cope with the growing complexities of national and international life.

In reaction against this perceived loss of democratic morale, there has emerged a militant support for a more "moral" foreign policy, for different and sometimes incompatible reasons. Some assert the primacy of moral, and particularly of human rights, considerations in foreign policy as a matter of principle—against what is felt to have been the recent excessive preoccupation with strategic power considerations. Others evoke support for human rights issues (along with an increased mobilization of military power) as an element in a renewed ideological offensive against the Soviet Union.

The result of these conflicting reactions has been a period of disorientation on a score of issues confronting the United States and

---

Marshall D. Shulman is the Adlai E. Stevenson Professor of International Relations and Director of the Russian Institute at Columbia University. He is the author of *Stalin's Foreign Policy Reappraised* and *Beyond the Cold War*. This article was adapted from a lecture delivered on June 23, 1976, at the Graduate Institute of International Studies, Geneva.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

other democratic societies. Some of these issues are transient and tactical; others now temporarily obscured involve more fundamental adjustments as part of a longer term process of learning to live with authoritarian regimes. As a step toward sorting out some of the moral and practical elements involved in these adjustments, there are set forth below four classes of problems requiring discrimination: the first three primarily concern aspects of U.S. relations with the Soviet Union; the fourth concerns relations with some less powerful but significantly placed authoritarian regimes.

For our present purpose, the term *authoritarian regimes* is used here in its broadest sense to include totalitarian states, dictatorships, and regimes in which opposition is suppressed. There are of course significant differences between those regimes in which the power of the state controls all aspects of the society and those in which primarily political opposition is prevented from operating, with varying degrees of repressiveness. Some problems are common to this entire category of states and some, as we are coming to learn, are inflected according to the degree of repression exercised.

Democratic societies is used here to distinguish those societies that are committed, with varying degrees of imperfection in practice, to the principle of government by the freely expressed consent of the governed, and to the conditions of free civil discourse necessary to the expression of that consent. Of the many attributes that might be selected to characterize the essential qualities of democracy, this principle most clearly distinguishes between form and essence.

II

The most obvious and perhaps the simplest of the classes of problems that have arisen are those that might be called *structural*. They involve the meshing of pluralistic institutions on the one side with highly centralized institutions on the other, involving a variety of encounters characteristic of contemporary international relations, including economic and cultural relations, contacts in international organizations and between nongovernmental groups. Even conventional diplomatic relations are affected by the asymmetry in the foreign policy-making processes of the two systems. Although these structural problems have not attracted much attention from the general public, they may have considerable ultimate importance.

Although economic relations between the United States and the Soviet Union have developed under government-to-government agreements, their implementation involves largely autonomous individual firms on one hand and, on the other, the Ministry for Foreign

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Trade and its subordinate departments, with the participation of the particular Ministries involved, as well as State Banks, the State Planning Commission and in some cases the State Committee for Science and Technology. A process of adjustment has begun on both sides to facilitate the meshing of these dissimilar institutions, and the long-term consequences may be substantial for each.[1]

From the Western side, efforts have been made to compensate for the bargaining advantage which accrues to the centralized Soviet institutions, and to meet the more fundamental problem of the differences between the national interest and the interests of individual firms. The concern of individual firms is quite naturally with whether or not a particular deal is profitable; from the national point of view, policy questions arise as to the advantages of developing economic relations as a means of stabilizing political relations, as against the possible risks of strengthening militarily or economically a state that remains committed to some incompatible international objectives.

As a consequence, a trend toward centralized political control over trade with the East has been set in motion, although the question remains unresolved whether democratic societies are able and willing to exert the degree of centralized coordination or control of national economic policy necessary to administer a coherently regulated trade policy, let alone to achieve the degree of coordination necessary with their allies.

Among the adjustments that have been set in motion in the United States to compensate for the institutional asymmetries are wider interpretations of antitrust legislation to allow firms engaged in foreign trade a degree of coordination normally prohibited in domestic trade; mandatory coordination of information among firms engaged in grain sales abroad; closer congressional supervision of export-import credit practices in East-West trade; stronger Department of Defense involvement in permission for transfer of advanced technology; and a proliferation of government advisory and licensing procedures to recommend or to impose a degree of centralization upon transactions normally not subject to such regulation. The most extreme measure of control was contained in the Trade Reform Act of 1974, and accompanying legislation on the Export-Import Bank, in which the Congress prohibited the extension of Export-Import Bank credits or the granting of most-favored-nation treatment to the Soviet Union unless changes were made in restrictive Soviet emigration practices. As a result of this, the Trade Agreement Act of

[1] See Raymond Vernon, "Apparatchiks and Entrepreneurs: U.S.-Soviet Eco..omic Relatio..s," *Foreign Affairs*, October 1973, pp. 249–262.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

1972 remains unconsummated. If and when a new effort is made to draft legislation for the regulation of East-West economic relations, agreement will be required between the executive and congressional branches of government and the business community upon more effective guidelines and measures of coordination than now exist.

The Soviet side has also made adjustments to facilitate East-West trade. For example, the U.S.S.R. has eased bureaucratic obstacles to direct access by Western firms to the various State enterprises, and it has coordinated the various foreign trade organizations to make compensation agreements with Western firms easier to negotiate. In an effort to make transfers of advanced technology more attractive to Western firms, the Soviet Union has been moving warily and with evident reluctance toward forms of joint ventures. While the Soviets do not permit foreign equity holdings, they do accept Western participation in management functions affecting quality control, though not in personnel matters. Whether the acceptance of Western management practices will result in a wider diffusion of initiative and responsibility in the presently highly centralized Soviet economy is a matter of contention within the Soviet leadership.

The asymmetry of institutions involved in cultural relations has also led to greater coordination in the United States among universities, scientific and other academic and cultural institutions, although here a certain ingenuity has permitted effective coordination without undue loss of independence. For example, under the umbrella cultural exchange agreements negotiated between the governments, implementing academic exchanges is handled by the International Research and Exchanges Board; this enables the universities, on the basis of voluntary cooperation, to speak with one voice to the Soviet Ministry of Higher Education and the Soviet Academy of Sciences.

In the natural sciences, scholarly exchanges are administered by the quasi-governmental National Academy of Sciences, and through participation in the Joint Commissions on various aspects of science and technology by the different U.S. departments of government. These are only loosely coordinated, however, and troublesome questions over the possible asymmetry of benefits to the two sides and the repugnant but apparently necessary invocation of the principle of reciprocity in response to Soviet limitations on unfettered scientific exchanges remain unresolved. A self-study by the National Academy now under way may result in a further codification of exchange practices.

Contacts between nongovernmental organizations, such as the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Pugwash and Dartmouth groups, the United Nations Associations, and inter-academy arms control study groups, have also involved efforts to compensate for the difference between autonomous institutions on the American side and their quasi-governmental opposite numbers. Thus, there has developed through experience an ethic of responsible independence among the American groups, which seeks to make clear the distinction between the official governmental position on issues under discussion and the sometimes critical and independent positions of the participants. As a consequence, exploratory channels of communication have developed whose utility has been greatest when government-to-government channels have been impaired by political tensions.

While the range of independence among Soviet participants in nongovernmental contacts is obviously more restricted, it has nevertheless been widening with experience and the growth of confidence. An important consequence of this is that American participants are able to go beyond the limited printed sources of information on Soviet positions and to become aware of the richer and more complex oral levels of discussion of policy issues.

As for U.S.-Soviet relations in various international organizations, the structural differences between the two systems appear to be less important than differences in policy, except in certain of the specialized agencies. Perhaps the most striking illustration of structural differences in the two systems is to be found in the case of the International Labour Organisation. There the issue of the differences in the function of trade unions in the two societies, which had been subject to a certain accommodation over the years, has become more acute recently. However, even this tension has had policy roots, specifically the critical attitude of American trade union leadership toward elements of the détente relationship.

Finally in the class of structural problems must be noted the institutional differences affecting foreign policy-making. The familiar problem of the role of public opinion in American foreign policy—and of the Congress as the most direct expression of this—has become more acute as a result of a combination of factors, including the Vietnam War, the prices of bread and grain, ethnic sympathies, the lines at gas stations during the oil embargo, and the technological advances that have created a greater popular awareness and sense of immediacy about international developments. The effect of these developments upon U.S.-Soviet relations has been to make for greater volatility and unpredictability, imposing severe limitations on the ability of the executive branch to guarantee the implementation of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

policies and agreements. To what extent this represents a cyclical phenomenon remains to be seen.

Soviet specialists in international relations have been learning to take into account the pluralism of the American foreign-policy process. They have become more fully conscious of the power of public opinion and its reactions to such developments as Angola, the Middle East, Cyprus, and issues involving the military balance and human rights. While they still suspect that the government has some degree of manipulative power over public opinion and the press, they have turned greater attention to the role of Congress, and deploy a substantial effort to study and influence congressional opinion.

The Soviet foreign policy-making process, on the other hand, is in the hands of professionals and speaks with one voice, free from the complications of a separation of powers or an unruly public opinion or press. The policy-makers do have some problems of coordination—both between the Party, the diplomatic branch and the KGB, and between the national interests of the Soviet Union and the interests of foreign communist parties. Moreover, the absence of checks and balances can make for monumental errors on occasion. And the effect of ideological preconceptions makes for problems in the perception and accurate reporting of developments abroad. This is most acute precisely when it involves pluralistic institutions, for it is difficult to grasp the workings of pluralistic power hierarchies if one has only experienced, and if the history of one's country has only known, autocracy.

III

Another class of problems experienced by democracies in their relations with authoritarian regimes might be called the *induction effect* these relations generate within democratic societies. More specifically, this concerns the degradation of democratic norms of behavior domestically and internationally resulting from the perceived necessity of competing with the methods of totalitarian states.

It is worth recalling that the American people found themselves plunged into the Second World War without having resolved many feelings derived from their experience in the First World War concerning the role of force in international relations or their own role in world affairs. The precipitate release from these uncertainties by the attack on Pearl Harbor, the inevitable brutalization entailed in what came to be called "total war," and the fact that in Hitler's Nazism was found an adversary as close to absolute evil as could be imagined—all contributed to the acceptance and justification of any

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and all means believed useful to defeat, indeed to destroy, the enemy.

In contrast to Churchill's acceptance of an alliance with the Soviet Union as a necessity which in no way contradicted his earlier judgment of the regime, the Americans, with characteristic indiscriminate enthusiasm for their "gallant Soviet ally," chose to ignore the darker side of Stalin's Russia and the portents of future problems. Consequently, as the inevitable conflicts arose concerning postwar arrangements, the Americans—in their self-induced disillusionment and sudden rediscovery of Soviet totalitarianism—carried over into the cold war many of the same attitudes of mind earlier applied with abandon to the war against Nazism.

Under the best of circumstances, it would have been difficult to expect a measured response to the novel problems presented by modern totalitarianism: its capacity for large-scale espionage, subversion, misinformation, propaganda, front organizations, and covert operations on a hitherto unimagined scale, all of which created a new shadow-world of violence and deceit in international relations. Given the emotional circumstances of our entry into this competition, it was perhaps inevitable that the logic of "fighting fire with fire" should have overcome any moral squeamishness about where, and to what degree, the means employed, however incompatible with previous democratic precepts, were justified by the perceived necessities. Like sheltered innocents discovering the pleasures of sin, Americans found a certain zest in their release from earlier inhibitions.

Two other factors contributed to the disorientation of democratic values in this period. One was the emergence of the age of nuclear weapons and missiles. This brought with it a sense of vulnerability to attack, if not to annihilation; an enormous increase in the militarization of the economy and military influences in the society; and finally the anomaly of mutual deterrence—which involves holding populations hostage to mass destruction—as the best hope of maintaining the peace under the circumstances. The other factor was the profound social upheaval in all industrial countries resulting from the continuing revolution in advanced technology—calling into question traditional values and sources of moral authority.

As recent hearings before the U.S. Congress have confirmed, the response to the need to match Soviet espionage, counterespionage and covert activities led to such excesses as attempts at assassination of foreign leaders, extensive covert interference in the internal politics of other countries, and extensive operations within the United States, involving domestic surveillance and wiretapping, burglaries, forgeries, and penetration of political dissidents in the name of national

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

security. The earlier ravages of the McCarthy period also must be counted among the excessive reactions to these security apprehensions. Thus, in the United States, the security apparatus administering intelligence and covert operations developed into a semiautonomous bureaucratic force commanding an estimated $7 billion annually.[2] To some degree at least, the United States had indeed "taken on the face of its adversary," as the French proverb expresses it, with, however, the saving grace that the force of public opinion and the separation of powers have made it possible to take corrective action against these excesses.[3]

Still, the difficulty remains of finding a measured reaction to a true dilemma of how democratic societies can learn to respond effectively to the large-scale covert techniques employed by totalitarian states, without sacrificing the distinctive attributes of democracy. But it has certainly become evident that the blanket justification of "fighting fire with fire" can lead to pernicious consequences, and that the indiscriminate acceptance of totalitarian methods in the belief that the ends justify the means undermines the essence of the democratic spirit, which is inherent in the process rather than in the particular ends sought.

IV

Among the most difficult problems in these relationships are those that stem from the question: To what extent is it legitimate, desirable, necessary—or even possible—for democratic societies to seek to modify the practices or the character of authoritarian regimes in a humane and pluralist direction? Illustrations of these problems include the recent debates about the "Basket 3" provisions concerning human rights at the Helsinki Conference on European Security and Cooperation; the Jackson Amendment linking trade relations with Soviet emigration practices; and Solzhenitsyn's strictures concerning the immorality of dealing with the Soviet leadership on any basis other than a liberalization of Soviet totalitarianism.

The issue is heightened by the workings of an inverse mechanism in the Soviet Union, by which the movement toward a policy of reduced tension abroad is accompanied by a tightening of internal controls.[4] This results from the efforts of the Soviet ideological and police bu-

[2] See Harry Rositzke, "America's Secret Operations: A Perspective," *Foreign Affairs*, January, 1975, pp. 334–351.

[3] See Nicholas deB. Katzenbach, "Foreign Policy, Public Opinion and Secrecy," *Foreign Affairs*, October 1973, pp. 1–19.

[4] See Wolfgang Leonhard, "The Domestic Politics of the New Soviet Foreign Policy," *Foreign Affairs*, October 1973, pp. 59–74.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

reaucracies to protect their system of control from being undermined by the widening of contacts with the outside world under the conditions of détente. The effect has been to sharpen the apparent conflict between the détente process and support for human rights, and to appear to identify détente with a callous and cynical indifference to egregious acts of the Soviet security apparatus.

Both moral and pragmatic considerations are involved. On moral grounds, it is argued that democratic societies accept a complicity in the repressive practices of the Soviet Union if they maintain conventional diplomatic relations with its leadership without requiring Soviet observance of human rights as a prior condition, particularly in a time of détente.

But the objective of the United States and other democratic governments to seek to reduce the danger of nuclear war by negotiations with the Soviet leaders is also a moral obligation. Indeed, given the scale of destructiveness of nuclear war, this should be a priority for all governments. With the advent of new and destabilizing forms of military technology, the prospect of widespread nuclear proliferation, and the absence of rational political control over the military policies of both democratic and authoritarian states, to believe that the risks of nuclear war are self-regulating and are automatically reduced by the balance of terror is a profound error.

For governments, therefore, the first order of business must be to regulate the military competition, for there will be no opportunity to work for the strengthening of democratic values if this effort is not successful. This should not, however, prevent individuals and groups from expressing their repugnance for violations of human rights wherever they occur—whether in authoritarian regimes of the Right or of the Left or within democratic societies themselves.

On pragmatic grounds, it is argued that since totalitarian regimes can act aggressively in secret and without the checks and balances provided by autonomous institutions within the society, this in itself is a barrier to peaceful relations. As a practical necessity then, democratic societies should seek to encourage the growth of pluralistic trends within the Soviet Union if a substantial relaxation of tension is to be possible. Some go further to argue the need to seek an erosion of the Soviet ideological commitment to ultimate aims incompatible with peaceful and cooperative relations.

The objective is clearly desirable, but the question is how most effectively to move toward its realization. It should be clear that the effort to compel changes in Soviet institutions and practices by frontal demands on the part of other governments is likely to be counterpro-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ductive. Yet external pressures may well be marginally effective, provided they take into account a scale of reasonable feasibility; for example, demands for humane measures in reuniting families may be feasible, whereas demands for measures which threaten to undermine the system's monopoly of political authority are not.

We cannot predict which way the Soviet system will evolve in the future. But it seems reasonable to believe that easing of repression is more likely to result from evolutionary forces within the society under prolonged conditions of reduced international tension than from external demands for change and the siege mentality they would reinforce.

What follows from this line of reasoning is that although the first priority in government-to-government relations with the Soviet Union must be given to efforts to regulate the military and political competition to reduce the danger of nuclear war, this neither requires nor should imply any condoning or accepting of Soviet violations of human rights and human dignity. The ultimate interest of democratic societies does require that they work for an international environment in which democratic values can survive and flourish by a constant projection and encouragement of democratic norms of behavior. What can and should be projected, however, are not particular institutions, such as the capitalist system or the two-party system, which, in any case, individual nations will adopt according to their own preferences; rather, what is essential to promote are those common ethical values such as the commitment to justice, liberty, equality, human dignity and to civil and tolerant discourse, reflecting the emphasis in democratic values on the process rather than on the realization of particular ends. What this implies is that the effort to enlarge the international sense of community be bound not to a particular form of world order but to a process of peaceful change toward the fuller realization of these values.

The faithful observance and projection of democratic precepts in this sense can transcend the American experience and can give expression to the essence of the democratic faith to which democrats in all societies—including authoritarian societies—can feel, even if they cannot now express, their allegiance.

V

The problem of reconciling democratic principles with the necessities of power has also been sharply posed for the United States by its relations with authoritarian regimes less powerful than the Soviet Union. This is illustrated, for example, by the negotiations with

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Generalissimo Franco for bases in Spain, the alliance with the Republic of Korea and with Salazar's Portugal and with Portuguese imperialism in Africa, relations with Iran and Chile, and support for a host of dictatorships among the developing countries on all continents.

In retrospect, the dilemmas appear to have sharpened as the American outlook evolved toward a two-dimensional view of international politics. In the early postwar years, Marshall Plan support for the European democracies represented a constructive response to the challenge of Soviet expansionism; the nurturing of democratic forces in Japan and the Federal Republic of Germany as part of an enlightened occupation policy represents an achievement of the first magnitude. But after the mid-1950s, as Soviet operations in the Third World expanded and the People's Republic of China entered a militant phase, American efforts to contain the expansion of the two totalitarian states became more heavily military in their preoccupation and global in their application.

As a result, the United States tended to look upon local conflicts as abstract units in a global contest for military power, with little knowledge of or concern for local political factors; it became aligned with domestic forces defending and stabilizing existing systems, and against social protest movements which it saw only as instruments of world communism. In some cases, in its preoccupation with the military dimension of international politics and with the stability of strategically placed countries, the United States contributed to the spread of dictatorships.

The culmination of this 20-year period of misperception and faulty understanding of the problem was the tragic episode in Vietnam, and the plausibility given to the widespread reputation of the United States as an imperialist power, opposed to the forces of change and modernization in the Third World. The United States has had a series of expensive geography lessons as it has been emerging from parochialism and a hypnotic fascination with a two-color map of the world. Although many genuine dilemmas remain to be resolved in the inherent tension between considerations of power and the support for democratic principles, some painful lessons have been learned.

One of these lessons has been the need to give greater weight to local political factors rather than to strategic or local military considerations as possibly decisive determinants. This involves a recognition of the rise of political consciousness throughout the developing world as one of the major elements in contemporary international politics. Although the machinery of U.S. foreign policy-making worked uncertainly in the case of Angola, it did in time turn to the more funda-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mental political elements of the African problems and has been seeking to address them constructively.

The issue is also illustrated by the conflicting considerations faced by the United States in its relations with the Republic of Korea. There can be no serious doubt that the protection of South Korea from attack by North Korea is a matter of genuine and legitimate concern to Japan and the United States. But there is also little doubt that the repressiveness of the regime of President Park aligns the United States with inhumane and anti-democratic practices and contributes to the potential instability of South Korea. While no simple resolution of this dilemma is possible, the United States has been seeking to manage these conflicting considerations with quiet gradations in its degree of diplomatic and military support, and at least to make known its preferences for the moderation of repressive practices.

Another lesson derives from the uncertainty regarding the viability of democratic solutions to the problems of developing countries. Clearly, the earlier expectations that the American experience could provide a model for developing countries to follow have proved naïve. Thus the question has emerged as to whether some degree of concentration of political authority may not be a necessary concomitant of the development process. This is the problem posed most sharply by the movement of India in an authoritarian direction. Indeed, this question may be regarded as but one aspect of what has been called the crisis of liberal democracy in the present period, which has raised the more general problem of the governability of democratic societies in the face of the increasing complexity of the problems they face. A compelling example of this issue is presented by Iran, where a Western-educated elite has been consciously addressing and articulating the trade-offs between social control and freedom, between centralization and the stimulation of initiative through decentralization, between the preservation of traditional Persian values as against the introduction of new values associated with urbanization and industrialization. The choices in each case are not between absolutes but along a spectrum, involving a constant process of experimentation and adjustment. From the U.S. point of view, there remains the dilemma of weighing the strategic importance of Iran's position on the Persian Gulf and of Iran's supply of energy resources against the authoritarian character of the regime. But the experiment must be viewed with insight, in full consciousness of the degrees of repression involved and of the limited applicability of our own experience to the problems Iran is facing in charting its path toward modernization.

It is evident from these few illustrative examples that interna-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tional life rarely affords us the luxury of clear either/or choices between considerations of power and support for democratic principles, and that we are obliged to express our preferences in the light of particular circumstances, rather than as moral absolutes. This implies the need to respond with discrimination to varying degrees of repression in specific cases, and to acknowledge frankly when necessity compels us to compromise, rather than to obscure or glorify conditions that offend our sense of justice.[5]

VI

The four classes of illustrative problems discussed do not of course exhaust the large array of questions raised by the relations between democratic and authoritarian systems, but they suggest a few general reflections.

First, our brief review of this aspect of the American experience presents a record that has more than its share of fallibility and imperfections, but also one that draws strength from its ability to learn, to expose and to correct its shortcomings. Learning to deal with the novel challenges presented by modern totalitarianism has strained democratic institutions and will continue to do so. But the lesson that emerges most strongly from this experience is that for all their disadvantages and imperfections the attributes of democratic society are also its greatest source of strength. We have learned that the moral strivings of a democratic foreign policy cannot be regarded simply as additives to a policy based upon naked power, but are the heart of the matter, inextricably involved in the way power manifests itself and is applied. The effectiveness of our power is not just a matter of numbers; it depends no less upon the perception that we exercise that power in a measured and responsible manner, consistent with the aspirations of democratic societies.

Second, if security means that what we seek to protect is not only territory but a system of values, then we need a broader and more enlightened understanding of our real security interests than now prevails. While a military equilibrium is clearly necessary, security also involves forms of power which respond to human aspirations for improved conditions of life, for equality of opportunity, and for justice and freedom. It is not a question whether or not to act upon the national interest, but whether we perceive and define that national interest in terms broad enough to respond to the actual determinants of political behavior.

[5] See William P. Bundy, "Dictatorships and American Foreign Policy," *Foreign Affairs*, October 1975, pp. 51–60.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Third, changes in military and industrial technology as well as in transportation and communication have radically altered both the substance and the process of international relations. The greatest source of danger to our security arises from our failure to comprehend the implications of these changes, and that as a consequence the present international order, to the extent one now exists, will dissolve into widespread anarchy and violence. It is therefore a central requirement that our actions serve to strengthen the international system, and that we seek as a long-term objective to draw the Soviet Union, China and other authoritarian regimes into constructive participation in that system, as they come to appreciate their self-interest in doing so.

This brings us to a final point: both compassion and realism should incline us to recognize that behind the monolithic stereotypes we have created of the Soviet Union and other authoritarian regimes exist a variety of political currents, reflecting human aspirations in all their diverse forms. We should not regard it as inconsistent with our most strenuous efforts to compete against expansionist tendencies on the part of these states that we should also open a dialogue with a variety of voices within these societies. At its best, such a discourse, eschewing polemics, can engage those philosophies which start from individual man at their center with those that proceed from a concern for the needs of society as a whole.

Convergence is not likely, for each society must evolve in terms of its own history; yet each society is evolving not only in response to the complexities of our age but also in response to our interactions with each other. For our part, we seek to meet the problems of mass society and the rational organization of our material resources while preserving humanistic respect for the individual and the spiritual realm which is his domain. We must remain firm in our faith that in time those who live in authoritarian societies will find their own way to express the aspiration for freedom that is in everyone.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Admiral Stansfield Turner

THE NAVAL BALANCE: NOT JUST A NUMBERS GAME

Comparisons of the seagoing armed forces of the Soviet Union and the United States are much in the news nowadays, and they are much in what happens behind the news. When our Secretary of State visits Moscow, or shuttles between capitals in Africa or the Middle East, he doubtless does not dwell on specific comparisons of military forces in his political talks, but the armed strength of our nation resonates in his words. Foreign policy transcends military capability, yet that capability tends to limit choices. Great wasteful wars have broken out in our century partly because of misperceived comparisons of armed forces. And war is as often a collapse as it is a continuation of foreign policy.

In offering a professional appraisal of the process of measuring the naval balance and of the relative present strengths of the two navies, I can give no answer either wholly comforting or wholly alarming to the usual, brusque question, "Let's get down to brass tacks. Who's ahead, Admiral?" My general tenor will be, rather, to focus on two questions addressed to people who think seriously about foreign policy: "What do you mean by 'ahead'?" and "How far 'ahead' will suit you, for foreign policy purposes?"

The argument from the facts will tend this way: that as a seagoing power, we are moving into a shrinking range of political options, and a higher level of risk. For this there are two reasons: a major industrial power, the Soviet Union, is building up a navy with dogged determination, reacting to its perception of a threat from our once-overwhelming armed superiority at sea; and meantime there is growing competition at home for military expenditures, especially when there are so many social demands on our national resources. This article will attempt to define our present capabilities for performing the various missions of a sea force in the light of these two crisscrossing trends. Clearing away misconceptions will be much of the task, and will enable us to focus on what really matters in naval

Stansfield Turner, Admiral, United States Navy, is Commander in Chief, Allied Forces Southern Europe. A Rhodes Scholar, he has directed the Systems Analysis Division of the Chief of Naval Operations, commanded the U.S. Second Fleet, and served as President of the Naval War College.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

strength when the foreign policy chips go down on the table.

II

But how do you measure the comparative quality of navies? There has been much talk recently of an imbalance. We even hear Paul Revere-style rhetoric: "The United States is being left behind with a second-rate navy!" We hear comparably authoritative statistics, quoted with equal vehemence and positive pride, proving: "We're way out front." Congress and the public stand in between—one being asked to enact legislation affecting the size and quality of the Navy, *the other being asked to finance those changes. Whom should they* believe?

The problem is often addressed as though it were amenable to a straightforward count of ships, airplanes and submarines on both sides, a comparison of absolutes. The Soviet Navy either has 255 attack submarines or it hasn't. Compared to the 73 attack submarines of the United States, the Soviet Union would seem to have a clear advantage. But, then, how does one weigh the fact that the United States has 13 attack aircraft carriers while the Soviet Union has none? Does this compensate in some way for our lack of submarines? A purely quantitative comparison clearly fails to tell us what we want to know. What one navy requires may not be what another needs, if their missions differ. Submarines, for instance, are not necessarily pitted against each other. The question is, rather, to determine what the submarines of each side are assigned to accomplish.

Thus, the first step in judging the naval balance between the United States and the Soviet Union is to understand what each of the two nations requires of its navy. Only then can we be sure that we are comparing opposed commensurables. Let us start by examining how the Soviet Navy came to be what it is today.

III

The Soviet Navy began to emerge as a significant naval force only after World War II. Navy expansion, begun in the early 1900s and interrupted by the Second World War, was not able to regain its initial momentum until the late 1940s. At that time the principal threat perceived by the Soviets was from U.S. aircraft carriers. Aircraft from these carriers could project military power onto the Soviet mainland from a distance of hundreds of miles at sea. To counter this threat, the Soviets had only a small navy, designed for coastal defense and largely inexperienced in deep ocean warfare. An accelerated shipbuilding program was begun, at first producing mainly

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

conventionally-powered submarines and gun cruisers. The inclination was quickly to amass as many ships with as much traditional power as possible.

Soon afterward, however, missile development took on greater importance. Missiles offered a relatively inexpensive yet very effective counterweapon to the large, highly sophisticated carriers. The Soviets clearly hoped that adapting this new technology to naval warfare would enable them to offset the American numerical advantage. Thus, tactical cruise missiles were deployed on surface ships of all sizes, and large-scale production was undertaken.[1]

The introduction of nuclear power in the submarine further refined and strengthened a rapidly growing Soviet undersea fleet, which reached a high of over 400 units in the early 1970s. The guided missile submarine, first developed in the 1950s, was an important incremental advance; both diesel and nuclear versions went to sea in the 1960s. With their capability to launch missiles against carriers or other surface ships while remaining submerged, they quickly became a potent antiship system.

Then, in the early 1960s, the first operational U.S. nuclear-powered submarine carrying long-range Polaris missiles, the U.S.S. *George Washington,* changed the character of the threat. The Soviet response to this new threat was, again, massive: an intensive antisubmarine warfare program. New classes of ships were built, including the missile-armed helicopter carriers *Moskva* and *Leningrad*. This program continues today, despite the low probability of its being able to blunt the ability of Polaris and its successors, Poseidon and Trident, to retaliate.

Recognizing the near invulnerability of our Polaris forces, the Soviets were quick to follow suit. Thus, while still pursuing their first naval objective of denying U.S. naval forces access to waters from which to launch attacks on the Soviet homeland, they added a second mission of maintaining their own sea-based strategic attack force. A series of ballistic missile submarines began to emerge from Soviet shipyards.

It was almost inevitable that as the Soviet Navy began to acquire a more diverse set of naval weapons that it would begin to look outward and over the horizon. This was, in part, the logical result of having

[1] The term *tactical cruise missile* refers to a missile designed for limited scale combat use that remains within the atmosphere and generally is guided to its target, either by a self-contained homing device or by external remotely controlled direction. Such missiles today can be launched from many platforms at sea: from submarines when submerged or in some cases when surfaced; from surface combatants ranging from patrol craft to cruisers; and from larger aircraft. Range of attack varies from ten miles to several hundred.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

more ships and submarines; but it also reflected a change in outlook toward naval power and what it could do. Soviet strategists had read Mahan and recalled how Great Britain and the United States had successfully supported imperialist adventures with their fleets in the nineteenth and early twentieth centuries. They witnessed permanent U.S. Naval deployments in the Mediterranean and in the Far East almost from the end of World War II. Now Soviet naval capabilities and force levels were reaching a level that would permit similar activity. Indeed, by the mid-1960s, the Soviet fleet had begun to follow Soviet political interests as these expanded around the globe. Thus, in addition to their use of naval forces for denying U.S. access to their waters and maintaining a sea-based strategic deterrent, the Soviets began employing their Navy in support of foreign policy through naval presence in peacetime.

Submarines, because of their covert nature, do not usually support a naval presence mission. Yet by the late 1960s, Soviet submarines as well as surface ships were being employed beyond home waters. It became apparent that the Soviets had recognized that they were capable of cutting sea-lanes—those jugulars through which flow 99 percent of U.S. imported goods—and that they could use that capability to further equalize American and Soviet naval power. During the *Okean* fleet exercise of 1975, the Soviets rehearsed tactics for cutting open-ocean sea-lanes. With the realization of a wide-ranging capability for sea denial, they had progressed from the basic concept of defense of Mother Russia to the more grandiose capability of posing a global offensive threat to free world use of high seas. In less than 30 years, the Soviet Navy had developed from an insignificant coastal defense force to one that aspired to: (1) strategic deterrence; (2) naval presence; and (3) sea denial. Today, in the development of the *Kiev*-class aircraft carrier, we may be seeing an effort to broaden fleet capabilities to add a fourth function, the projection of power ashore. Or, alternatively, the *Kiev* carriers may be intended to provide air cover for Soviet fleet units when operating outside the range of land-based air forces, and thus start the Soviets on the road to a sea assertion capability rather than just sea denial.

IV

The United States, being far more dependent on the seas than the Soviet Union, has since the beginning of the republic recognized the need to use its Navy in a global sense. The fundamental role of our Navy has been sea control. This is the capability to assert one's own use of the seas and to deny that use to others. It has been the same

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the navies of maritime powers ever since the Athenians defeated the Persians at Salamis in 480 B.C. The U.S. Navy concentrated almost exclusively on sea control through the end of World War II.

The Second World War also saw an expansion of our naval capabilities, primarily in the area of amphibious assault, so critical to the island campaign in the Pacific. Naval aircraft from carriers played an important role in supporting the Marines in these operations. These beginnings, and Admiral Halsey's carrier raids on Japan in the closing days of the war, were the seeds for the employment of carrier aircraft in attacks on shore targets at distances remote from the amphibious beachhead.

This trend gained importance particularly in the waning days of World War II, when the U.S. Navy found itself without a credible opponent to contest its use of the seas, and thus without a need for sea control. The atomic bomb seemed to herald an age of technological innovation—conceivably even an end to traditional warfare. The Navy saw the capability of its carrier-based aircraft to deliver atomic weapons to targets deep inland as its main contribution to the future defense needs of the nation, so it aggressively sought and won a role for its carriers in strategic deterrence. More recently, the carrier has conceded this role to the Polaris submarine and redirected its long-range strike capability to power projection ashore with conventional munitions, as in both Korea and Vietnam.

Today, the U.S. Navy's force structure and capabilities enable it to perform in: (1) strategic deterrence; (2) naval presence; (3) sea control (assertion and denial); and (4) projection of power ashore.

The comparative strengths of the two navies are illustrated in the table below.

TABLE I

COMPARISON OF THE CAPABILITIES OF THE U.S. AND SOVIET NAVIES

Mission	*Soviet Navy*	*U.S. Navy*
Strategic deterrence	Wide range	Wide range
Naval presence	Wide range	Wide range
Sea control	Denial only	Assertion and denial
Projection of power ashore	Very limited amphibious	Wide ranging tactical air and amphibious

Both navies are employed in strategic deterrence and naval presence; the U.S. Navy also aspires to assert control over the sea areas which the United States and its allies need for commercial and military purposes, while the Soviet Navy is primarily designed to deny that use to others, with some inchoate sea assertion potential; and, finally, the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

U.S. Navy has an extensive and sophisticated capability to project power ashore in contrast to the Soviet Navy's very limited ability.

V

How, then, do we compare the total balance of these two navies, given their varying capabilities to perform these different functions? There is no single formula. A first step is to recognize that only forces which oppose each other directly can be compared directly. Generally, neither "projection of power" forces nor "strategic deterrence" forces are designed to be employed against similar forces of an enemy. Therefore, they cannot be usefully compared in quantitative terms. One can only assess whether these forces seem capable of carrying out their purpose against other kinds of opposition. Strategic deterrence forces, for example, do not oppose other strategic deterrence forces. The natural opponents of a Polaris submarine are the enemy's antimissile systems and his sea denial forces, not his ballistic missile submarines. A strategic deterrent force is adequate if it deters the enemy from using nuclear weapons against us. It is facile to compare the 41 American ballistic-missile nuclear submarines with the 62 of the Soviets, for each force represents only a part of the national strategic capability. In another example, amphibious ships do not directly oppose other amphibious ships. Rather, in putting troops on a beach, amphibious ships and landing craft will be opposed by enemy shore defenses. Similarly, in their role of projecting power ashore, carrier-based tactical air forces are pitted against the enemy's varied forms of air defense; their mission is to penetrate to and destroy targets ashore.

On the other hand, forces designed for presence and sea control are intended to counter each other and therefore can be directly compared. "Presence" is the orchestrated use of naval forces below the level of hostility in support of foreign policy. Naval presence tasks range from informal ship visits intended to maintain ties with an ally and formal ship visits to cement a burgeoning friendship, to a menacing patrol just outside a nation's waters. When the United States and the Soviet Union have competing interests in an event or a place—and when they use their navies to demonstrate just how interested they really are—then the relative quantity, quality and character of these forces *in situ* can tip the balance and can affect what happens. Here seapower becomes a direct arm of foreign policy without a shot necessarily being fired. The U.S. Sixth Fleet and the Soviet Mediterranean fleet are such "presence" forces in direct competition along the Mediterranean littoral.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A direct and combative confrontation of naval forces occurs mainly in the "sea control" role. In such a context, numerical comparisons become not only relevant but crucial. Here sea assertion forces are lined up against sea denial forces. Assertive sea control means quite simply that Navy *X* can move its task units or protect commercial shipping between point *A* and point *B*, or remain in position *C*, against opposition. Denial of sea control is the opposite: Navy *Y* can prevent Navy *X* from so moving its forces or successfully protecting its vital commerce.

To see where we stand today with regard to the balance of sea power, it is necessary to separate out projection and deterrence forces —because they are not comparable—and to focus on sea control and naval presence forces.

VI

No navy builds ships primarily for the presence mission. Ship design reflects almost exclusively those qualities needed in battle. Moreover, a ship's fighting capability determines how other governments and navies perceive the weight of that ship's presence. There are fundamentally two threats that the presence of a naval force can imply: to do harm to a nation by projecting power directly onto its territory or to sever a nation's sea lines of communication through blockade or sea denial.

In some instances, the United States and the U.S.S.R. may attempt to use naval presence to threaten each other or, at least, to signal broad intent and resolve. More frequently, American and Soviet presence forces compete against each other in terms of their impact on the actions of a third party. Both fleets, for example, were paraded in the 1970 and 1973 Arab-Israeli crises. The Sixth Fleet implicitly threatened to project power against the Arabs; the Soviet Mediterranean squadron threatened to deny the United States the use of the seas to do that. The issue was not what damage the U.S. carriers could have done in the Middle East or whether the Soviet force could have stopped them, but what impact the threat and counter-threat had on the contemplated actions of all the immediate participants.

The presence force is designed to equalize or counterbalance other forces in an area. Whether or not any particular force succeeds in influencing the actions of others will depend on subjective perceptions which may be based on numbers, on superficial appearances (size of ships, new versus old, etc.), on techniques of employment, or simply on the rhetoric which accompanies the fleet's arrival. That perception

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

may or may not be an accurate appraisal of what would happen if shells started flying. But if the bluff is called and fighting ensues, presence has failed and must be succeeded either by combat or by backing down.

Two generalizations can be made on the relative potential of the United States and Soviet Navies in the presence mission. U.S. naval presence can threaten a full range of capabilities, both projection of power and sea denial. Soviet naval presence can threaten only sea denial. Nevertheless, though the United States can wield the presence tool more effectively, the Soviets have been playing the game cleverly. Realizing that they are dealing with perceptions, they are gaining maximum advantage from the fact that any change is news. Small improvements in capability can be touted to the unsophisticated as big ones. The new *Kiev*-class carriers, with only short range V/STOL (vertical/short-taxi takeoff and land) aircraft, have far less projection capability than our aircraft carriers, yet they are being portrayed by the Soviets as full-scale aircraft carriers. Change creates the impression of improvement as the Soviets move from little to more. And as our Navy constricts and draws back from traditional deployment patterns, the Soviet Navy has been demonstrating increasingly imaginative and frequent global deployment of forces in response to developments in international politics—as in Angola, Mozambique, the Indian Ocean and West Africa. It seems a confirmation of the claim that we are a declining sea power and that they are a growing and restive one. The invalidity of that claim is academic if it is universally believed.

The nature of the debate in Washington over the budget tends to abet this impression. To ensure adequate appropriations for warfighting needs, our leaders point to the Soviets' naval expansion, their increasing presence in former Western preserves and their dedication to further naval growth. Some distortions are inevitable when complex issues are distilled and simplified for clarity and ease of general understanding; the formidable qualities of the threat are stressed; the available means to counter it perhaps slighted. We run the risk today of losing on the "presence front" unless we counter these negative impressions by exercising care in our public discussions. A doomsday picture convincingly drawn for a congressional budgetary committee may negatively influence other nations' perceptions of our naval effectiveness. And a few extra ships in the budget or at sea may not be enough to overcome an inaccurate perception of weakness.

To sum up: balance in the presence role is based objectively on ships, aircraft, guns and missiles, and subjectively on ideas and im-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pressions. Ultimately, however, genuine warfighting capability remains essential; if the balance becomes truly unfavorable, beholders will be fooled for a while only.

VII

In judging the balance of warfighting capabilities of the U.S. and the Soviet Navies, accurate comparisons can be made only with regard to sea control: our "assertive" versus their "denial" capability. But even here, two considerations make simple numerical comparisons of force levels inadmissible. First, sea denial is essentially guerrilla warfare at sea. The denying naval commander strikes at a time and place of his choosing to achieve maximum surprise; he does not have to stand his ground toe to toe with the enemy but instead hits and runs. In this way a markedly inferior force can successfully thwart a superior force. Sea denial forces can be smaller than sea assertion forces and still do their job. How much smaller? There lies another "balance" question.

Second, the weapons and techniques of denial and assertion differ. The submarine torpedo, and the antiship missile launched from submarines, surface ships or aircraft, are the primary weapons of sea denial. The weapons of sea assertion are those that either directly attack an incoming missile or torpedo, or attack the launch platform before the launch occurs. These weapons range from point-defense guns and missiles employed against the incoming missile, to the whole variety of antisubmarine, antiship and antiaircraft weapons. While generically these latter are principally torpedoes and missiles, most are different in quality and type from those in the sea denial inventory. In addition, deception and decoy are useful defensive techniques in assertive sea control, for if one can avoid meeting the enemy and thereby go on to carry out the mission, one has retained freedom to use the seas. Hence on many grounds strictly numerical comparisons of denial and assertive tactical capabilities seem to require the comparison of incommensurables and can only be misleading.

Computer analysis is a help in getting at this vital estimate. The computer digests the performance data, combined with subjective assumptions relating to state of training, quality of materials, doctrine, weather, morale, and so forth. But the computer model reaches its conclusion using a consistent set of assumptions, whereas in real life a field commander will not adhere to his initial set of assumptions and tactics, especially if he is losing. Hence, with a computer one can be led to false conclusions unless one accepts the results as only part of the picture.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Informed, subjective judgments are often more accurate. When naval professionals try to assess balance subjectively, they are not asking, "Who's ahead?" but rather, "What are the trends in capabilities?" and, "Can we still undertake the old missions or perhaps take on new missions that were impossible yesterday?" Such professional judgment does use computer analysis, as well as detailed, and often classified, technical information about weaponry and other relevant factors. Still, the unavailability of classified information does not prevent the layman from making informed judgments on the naval balance. Broad trends in capabilities and feasibility of missions are visible to the layman. In analyzing trends, three factors are particularly significant: the rise or fall of numbers and types of warfighting units; any technological developments which increase vulnerability or potency; and such tempering factors as extension or loss of base facilities, national resolve, and alliance solidarity.

VIII

A reasonable approach to judging the trends in relative sea control capabilities today is to select some convenient benchmark in the past and analyze the changes in forces, technology and related factors that have occurred since. Ten years ago, in 1966, the balance of sea control capabilities was clearly favorable to the United States. Traditional guns and bombs constituted the major threat to U.S. naval forces. Today, guns and bombs remain a threat at close range, but missiles launched from submarines, aircraft or ships, and torpedoes launched from nuclear-powered submarines have become the dominant threats to surface forces. Traditionally, the best way to defeat an attack on a force at sea has been to destroy the launch platform before it releases its weapon. But today missiles can be fired at far greater range than could projectiles or bombs, thus lessening the vulnerability of their launch platforms. On the other hand, the cruise missile is really a small aircraft which can more readily be destroyed in flight than bombs and projectiles. But this capability to destroy missiles in flight does not presently offset the advantage to the launch platform of launching from greater range. Given this advantage, we must ask whether any trends in forces or technology have compensated in terms of defending against missiles.

First let us look at the problem of frustrating or destroying a submarine before it can launch a missile. To find the submarine before it can attack, defending forces must move well out from the force being protected. In effect, this enlarges the defensive perimeter around the friendly force, thereby requiring more ships to protect

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the same size force. Yet, in the past decade the number of U.S. destroyers has dwindled from 205 to 69, carriers from 15 to 13, and antisubmarine aircraft from about 428 to 132. While from numbers alone it might seem that the Soviet submarine fleet that these forces must counter has also weakened—it has shrunk from 370 in 1966 to about 335 today—Soviet nuclear-propelled submarines have increased by 250 percent, from 40 to 140. Also, the number of Soviet submarines equipped with cruise missiles has more than doubled, from 29 to 66.

In our favor, U.S. nuclear attack submarines, which are qualitatively superior to the Soviets' in several significant respects, have increased from 35 to 65. Other offsetting technological factors to our advantage include improved antisubmarine tactics—principally, the coordination of a variety of improved weapons and sensors. Some very interesting things are going on, but no magical breakthrough has yet made the oceans transparent. Antisubmarine warfare remains a painfully patient struggle for small improvements. That such improvements will offset the growth in the numbers of Soviet missile-firing submarines and the probable improvements in their missiles themselves is something we cannot count on. Antisubmarine warfare has always been a battle of attrition in which numbers matter more as losses mount. Failing new technological strides, the decline in number of our antisubmarine forces is something for foreign policy-makers and the public to think about. Torpedo-firing submarines are easier to locate and attack, true enough, than the missile submarines; they must press in relatively close, permitting us to maintain a smaller defensive perimeter. But the dominant factors remain the growing numbers of Soviet nuclear-powered and missile-firing submarines, and the disadvantage to ourselves of the declining size of our forces to man the perimeters against them.

In sum, in defending against the submarine, the balance can be characterized thus: on our side, more high-quality nuclear submarines and modest improvements in tactics and technology, but declining numbers of escorts; on theirs, increases in numbers both of nuclear submarines and cruise missile-equipped submarines. The balance is slowly tipping against us. We had better watch carefully to see how vigorously the Soviets continue to push their submarine programs and how well our technological and tactical advances progress.

The second aspect of the sea control problem involves the trends in our ability to defeat missile-launching aircraft. The number and quality of Soviet aircraft have remained relatively constant over the past ten years, but, as in the case of the submarine, increased missile range has permitted launches from greater distance. Today, Soviet

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

aircraft can release a variety of missiles from beyond the reach of our shipboard antiaircraft missile systems. The best counter is often the carrier-based interceptor. While the recently deployed F-14 fighter aircraft with the new, long-range Phoenix antiaircraft missile is a major improvement, there are only 206 in the fleet today to oppose some 1,000 Soviet combat aircraft, several hundred of which are capable of carrying one or two missiles. The formidable capability of the F-14 to engage and kill several targets simultaneously is stretched very thin if the F-14s on the average carrier are required to provide a defense against attack from all points of the compass, 24 hours a day.

In summary, numbers in the air threat picture have remained comparable, while the technological improvements of the F-14/Phoenix have given the United States some measure of advantage, particularly if the direction from which the threat will come can be determined and this valuable air asset is used judiciously. Any substantial increase in numbers of Soviet aircraft capable of firing missiles, either through new production or through reassignment from other tasks, could again tip the balance in their favor.

As to countering the surface threat, both short- and long-range missiles are carried aboard Soviet ships, although two-thirds of the inventory are launchable only at short range. Surface-to-surface missiles are just becoming operational in our fleet. Our primary counters to antisurface threats are submarines, carrier aircraft and shore-based aircraft. Our nuclear-powered attack submarines are more than a match for Soviet antisubmarine capabilities, but many other missions are demanded of them. Our attack aircraft are also limited to approximately 24 per carrier, and their effectiveness against Soviet ships heavily equipped with surface-to-air missiles depends on skillful weaponeering and air tactics.

American success in encounters between surface forces will be highly dependent on the number of submarines and aircraft available, the skill of our pilots, and any help that geography can provide us in terms of having land-based aircraft within range. Our submarines and carriers can quickly stem the tide once the battle has begun if adequate numbers are available, but the Soviets' big advantage here is in their option to launch a preemptive strike. Ships of both navies regularly operate in the vicinity of one another since there are no boundaries at sea. An attack could be launched with virtually no warning from point-blank range. The timeliness and quality of intelligence estimates, and our ability to identify subtle changes in Soviet operational patterns, will determine whether or not the Soviets

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

can successfully carry out such a preemptive strike. Present trends toward declining numbers of both submarines and carrier aircraft have to be faced in the glare of these facts.

What do all these assessments add up to for the use of our sea control forces? Essentially, the capabilities of missiles have outstripped our ability to defend against them. We are running to keep up, and depending heavily on technology and innovation rather than more ships and aircraft to keep the balance from shifting against us. For the United States, better airplanes, better sonars, and aggressive and creative tactics all count for more than a simple numbers comparison would imply. Thus the U.S. Navy can still successfully assert sea control; but in areas where the enemy can concentrate we must allocate a higher percentage of our total forces than before, almost always include an aircraft carrier, depend more and more on tactical initiative, and accept a higher risk.

IX

What then can be said of the naval balance today? Was the position of clear superiority that we enjoyed a decade ago necessary to ensure our national safety then? Is it necessary now? As the Soviet Navy drives to close the gap, are we losing too much? Is balance—or "rough equivalency"—in effect a canceling of naval power? The answers to these questions lie in responding to the two questions asked earlier: What do we want to achieve with our naval power? And what does our present naval capability permit us to achieve?

A favorable naval balance reduces our risk in carrying out the national will. The less favorable the balance, the greater the risk. Between the two extremes there is latitude for varying acceptable degrees of naval balance. The degree of acceptability depends on judgments which transcend the power of military men, but on them hinges all the meaning in the naval balance argument. For instance, the Chief of Naval Operations recently stated that our fleets in the Pacific could hold open the sea-lanes to Hawaii and Alaska, but, by reason of shortage of sea control forces and mobile logistic support forces, we would have difficulty projecting our lines of communication into the Western Pacific. Is this realistic delimitation of our Pacific options acceptable? If not, we have lost too much; the balance has tipped too far. There have been conflicting judgments regarding the U.S. Sixth Fleet's ability to operate in the easternmost Mediterranean in the face of a determined counter-effort by the Soviets. The balance must be a very delicate one if informed professional disagreement exists, as it does. This being the case, we should be alert to any

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

factors that would change the balance, such as Soviet access to North African air bases. A move such as this might well tip the delicate balance against the Sixth Fleet, heightening the risk. Would that be nationally acceptable? Unless comparative naval power is measured specifically against such considerations of what navies are required to do, discussions of their relative strengths are academic.

Does public discussion of this major issue—how the naval balance affects national purpose—proceed in this sober and objective way? Not exactly. Today's senior naval professional, for instance, grew up during the U.S. Navy's period of overwhelming superiority, from 1945 to 1965. The progressive decline in that superiority since 1965 has reduced the chances that he can carry out successfully the mission to which he is solemnly dedicated; the more conscientious he is, the more these trends disturb him. Civilian thinkers, in turn, are not providing the help that they could. The estrangement of much of the intellectual and academic segment of our society from the professional military over the Vietnam War has damaged the respectability of defense as a worthy area of discussion, writing and study. Détente has been misinterpreted by some as a license to drop national security issues entirely, except when pursuing the transfer of funds from defense to areas of social and economic concern. Yet, the phenomenon of détente, which has allowed us to divert attention to these pressing social needs, stemmed from the very success of our military posture. Finally, and unfortunately, a historic fixation with the numbers game, stemming from the naval treaties of the 1920s, mires public discussion in fruitless debate on the wrong issues. That the United States built 122 ships over 3,000 tons in the last 15 years and the U.S.S.R. only 57, as recently reported, has no meaning by itself, other than to refute another set of illogical statistics, such as was recently reported in a respected news magazine, that the Soviet Navy totals more than 3,300 ships and the U.S. Navy 478. This latter comparison requires counting every 75-foot tugboat and barge and comparing it to who knows what.

There can and should be reasonable debate on naval force structure. It should be a three-step process. Step one is to size up our naval strategic deterrent forces on the basis of what constitutes a credible deterrent, not on the basis of the size of Soviet deterrent forces. This requires military judgments relating, for example, to their survivability in the face of Soviet countermeasures, but also judgments quite outside purely military calculations; for instance, would having a hard-target kill capability at sea as well as a city-destroying potential be redundant or reinforcing to a President and his Secretary of State?

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Moreover, the naval element is only one part of our total resources for strategic deterrence. How big a part does the nation want it to be?

Step two is to size up our several kinds of forces for the projection of power on the basis of our overseas interests and commitments. Again, the process commences with a review of nonmilitary considerations, including such questions as how much do we want to rely on the use of the bases of allies overseas. From such evaluations, and in the context of the total national capability for projecting power, a calculation of the need for carrier, amphibious and gunfire forces can be made.

Step three, the one I have been emphasizing, is to assess the naval balance in the areas of naval presence and sea control, placing greater emphasis on trends: where we and both our friends and our potential enemies seem to be going. The key here is to compare like forces. This not only means eliminating strategic and power projection forces from our consideration, but also comparing a given type of force with the full range of forces that may confront it, that is, not a submarine versus a submarine, but a submarine versus aircraft, destroyers and mines as well. Complications will stem from the dual or even triple capability of some naval forces; for example, the attack aircraft from a carrier can threaten with nuclear weapons (strategic deterrence), attack land targets with conventional ordnance (power projection), and sink enemy surface ships (sea control). This sort of multiple capability vexes calculation, but at the same time sheds light on why various weapons are needed. Beyond these assessments of relative capability we must delve further to ask whether any technical, geographic or other non-naval factors offset numerical force trends. The inaccessibility of classified data, the level of technological expertise, and the extent of experience at sea—which enter all such evaluations—will directly influence the quality of civilian judgment. But, we live in an open society. The press probes. Congress investigates. Searching questions are good, if not always comfortable, for the soul. Such dialogue works in its abrasive way. Professional opinion is pressed hard on the technical military issues; civilian opinion has to think hard on matters of national policy; and from this interaction arises the consensus essential to the support of whatever level of naval forces is selected.

The decisions of today in matters of naval hardware will not take effect for four to ten years, and will shape our naval posture for several decades thereafter. The same is true for the Soviets. Thus if we elect to move in one direction and they in another, it could result in a dramatic difference in a decade or so. On the one hand, we could fall

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

hopelessly behind; on the other, we could strike out in some new direction and be way ahead as a result. Our decisions on whether to maintain a balance, to what degree, and in what missions, must gauge the long-range trends.

Focus on trends rather than statistics will make the dialogue on the naval balance more substantial and productive. A miscalculation, especially in the area of sea control, could bring serious consequences. Our survival and that of our allies in war depend on the vital sea links between us, and these are ensured largely by our naval power.

The perception by allies, neutrals and opponents of our will and capacity to control those sea-lanes, if necessary, can tip the scales of political actions in peacetime. Assessing the naval balance in sound terms thus directly touches our nation's safety. A sensible approach will be to ask not, "Who is ahead?" but to determine whether our naval forces in hand, considering the other forces on the planet, can carry out our national purpose—which is principally to keep the peace if we can, and if we cannot, to protect ourselves from storms, and to help our friends to protect themselves.

This age of supertechnology may one day make all preparation for warfare utterly obsolete. Some thinkers would have us concede that it already has. But while the Soviet Union, a latecomer as a sea power on the world stage, exhibits many traits of nineteenth-century imperialism exercised with all the resources of supertechnology, the U.S. Navy has a mission; and it would behoove all the nation's best minds to help us define it and carry it out.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Michael Krepon

A NAVY TO MATCH NATIONAL PURPOSES

The United States Navy has become the most unsettled of all the uniformed services, its role and capability in fulfilling national strategy clouded by controversy. In the past year, President Ford has sent two different shipbuilding requests to the Congress, to which the House and the Senate have added their own distinct and separate versions. Adding to the turmoil have been sharply varying perceptions of the Soviet naval threat. Many observers claim that significantly higher shipbuilding programs are needed due to the numerical and technological advances of the Soviet Navy. Others counter that the United States is more than holding its own in numbers of oceangoing warships, and that technological gains do not help Soviet fleets escape the geographical bottlenecks barring easy access to blue water.

If the extent of the Soviet threat is open to question, so too is the ability of the U.S. Navy to carry out its assigned roles and missions. Only the Navy's role in strategic deterrence, through nuclear-powered ballistic missile submarines, appears assured and invulnerable. Yet the Navy's primary mission remains sea control, which means the ability to resupply our troops and support our allies. It also means the ability to import critical materials in the event of a protracted conflict. And it is sea control that allows the Navy to carry out its secondary mission, which is projection of power ashore in support of combat operations. For these missions, the current Chief of Naval Operations, Admiral James L. Holloway III, rates the U.S. Navy as only marginally capable of carrying out national strategy "in a majority of situations."[1]

As these controversies boil, two of the Navy's biggest private shipyards have joined in open revolt against their client. Tenneco's Newport News Shipbuilding Division and Litton Industries' Ingalls Shipbuilding Division have tried to stop work on Navy ships, claim-

[1] Hearings Before the Committee on Armed Services, U.S. Senate, 94th Cong., 2nd sess., 1976, part 13, p. 7111.

Since 1974, Michael Krepon has been Legislative Assistant to Congressman Floyd V. Hicks, a member of the House Armed Services Committee.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing their contracts to be invalid, money-losing propositions. None of this turmoil, however, has had a deleterious effect on the Navy's budget. Already larger than that of any other service, the Navy's share of defense dollars continues to grow annually.

In the center of the controversy over the Navy lies the aircraft carrier, and specifically the large-deck aircraft carrier. All of the arguments over the size, composition, and purposes of tomorrow's Navy eventually return to this ship. Like the battleship before it, the carrier has become the "capital ship" of the fleet—the sun around which budgets and lesser ships orbit.

Today, after more than 30 years of intensive development, the ship in question is a 94,000-ton floating airfield which carries 90 aircraft, 5,300 men, and two nuclear reactors. The first of these supercarriers, the *Nimitz,* recently joined the Atlantic Fleet. Two more ships of its class are now being built, and the Navy has succeeded, after a most unorthodox budget battle, in convincing Congress to place a down-payment on still another.[2]

The Navy's leadership has suggested that this fourth new large-deck carrier—designated CVN-71—will be the last of its kind. "Preliminary findings" of a current National Security Council study support this position due to the carrier's prospective vulnerability and high cost. Still, it should be remembered that during congressional debate over each of the last two *Nimitz*-class carriers, the ship in question has been characterized as the last of its class.

But even as a last increment, the wisdom of this purchase is cast into doubt by the realities of naval warfare today, and more so into the future. And even as a last increment, the financial and opportunity

[2] Prior to its submission to Capitol Hill, the Pentagon's budget is subject to intense debate and last-minute changes. The Fiscal Year 1977 shipbuilding request changed considerably during final review stages, as funds for the down payment on another *Nimitz* as well as five additional ships were pared. Instead, a National Security Council study was commissioned to review the Navy's needs.

The House Armed Services Committee completely rewrote the Administration's shipbuilding request, adding $1.2 billion. Among the add-ons proposed by the Committee and authorized by the House was a $350 million down payment for another *Nimitz*.

What happened next is the subject of some controversy. Ford Administration officials deny that politics had anything to do with their actions, but their timing only served to raise such speculation: on the morning of the Texas primary, the Administration finalized its decision to send a supplemental shipbuilding request to the Senate, where the Senate Armed Services Committee was concluding hearings on the original budget submission. The new request, based on "preliminary findings" of the NSC study, essentially accepted the $1.2 billion add-on from the House, but applied these funds to a different mix of ships. The major area of agreement between the Administration and the House was on the need for the carrier's long lead funds.

At first, the Senate refused to fund the carrier. But a compromise agreement reached in the Conference Committee resolving differences in the House- and Senate-passed Authorization Bills kept the new carrier alive. Subsequent action by both houses on the Defense Appropriation Bills has left these funds intact.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

costs are staggering: the new carrier and its complement of aircraft will cost $17.5 billion to purchase and operate over its useful life. There are any number of ways in which these funds could be spent: coincidentally, a recent Library of Congress study concluded that if additional funds of this magnitude were applied to ship construction budgets over the next ten years, the Navy could be built up from 500 to 600 ships.[3]

The aircraft carrier replaced the battleship as the capital ship of the U.S. Navy during World War II, but only after much controversy and the national trauma over Pearl Harbor. Those hoping to wean the Navy away from the battleship were frustrated by a combination of the forces that make change in naval strategy and shipbuilding such a slow process. Unlike land wars, general wars at sea are infrequent—the last U.S. war at sea was over 30 years ago—and thus the lessons learned become dated. Meanwhile, ship construction budgets and careers tend to be built on the basis of what worked in the past, despite the introduction of new military technology that could completely alter the outcome of any engagement.

World War I saw the introduction of the airplane, and many believed that this new weapon signaled the end for the battleship. Today, the Navy and its capital ship are beset by another generation of critics who claim that once again new weapons have changed the face of naval warfare, and that like the battleship before it, the day of the supercarrier has passed. The historical parallel between the battleship and the carrier is troubling enough to warrant a deeper look.

II

The date was July 21, 1921. Six "flying crates" under the leadership of General Billy Mitchell headed east over Chesapeake Bay with freshly made bombs. In the waters below, it was easy to distinguish the target—an abandoned battleship—from the flotilla of ships carrying dignitaries and observers.

The battleship had ruled the high seas since the English defeated the Spanish Armada in 1588, and it still reigned supreme as the capital ship of all navies during World War I. Each battleship coming down the ways seemed more menacing than the last, with longer range guns and better protective features. The ghost ship on Chesapeake Bay was

[3] Alva M. Bowen, Jr., "U.S. Naval Expansion Programs: An Analysis of the Cost of Expanding the Navy from 500 to 600 Ships," Congressional Research Service, Library of Congress, April 7, 1976. The actual investment cost of a supercarrier and its aircraft is currently $3.5–4 billion. Subsequent operation and support costs round out the $17.5 billion figure—which, however, does not include the effects of inflation over a 35-year estimated useful life, nor the costs of the four to eight escort ships needed for its immediate protection.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a good example of the state of the art in terms of size and protection. Displacing 27,000 tons, with a triple hull and 85 watertight compartments, it seemed to many naval experts unsinkable.

But the test was all over in 20 minutes. Dignitaries and naval officers alike were shaken by the force of the bombs which exploded on target. The ship rolled over on its side and sank to the bottom of Chesapeake Bay.

General Billy Mitchell believed in the airplane and wanted the War Department to buy more of them. But this undermined the role of the battleship, suggesting its replacement with the aircraft carrier as the Navy's capital ship. The Navy, therefore, viewed the airplane as a threat rather than an opportunity. It was the Navy Department that drafted strict guidelines for Billy Mitchell's bombing run against the abandoned battleship. Many onlookers thought the rules—such as the stipulation that Mitchell could use only 600-pound bombs—were rigged in favor of the battleship. Characteristically, Mitchell simply disregarded them, using 2,000-pound bombs instead.

Among the dignitaries present were Secretary of War John W. Weeks and General John J. Pershing, the hero of World War I. Hearing the thunderous explosions from the 2,000-pound bombs, Pershing turned to Weeks and said: "What the blazes do you think that was? That didn't come from any 600-pound bombs."

"By God," Weeks reportedly said, "if Mitchell violated orders by taking up anything heavier we'll put him on the carpet! He knows what he's supposed to use. Where would we be if he could sink the Navy?"[4]

The Weeks-Pershing exchange may well have been apocryphal, but the negative reaction by the Navy brass was real enough. Admiral William S. Benson summed it up best when he reportedly said, "Aviation is just a lot of noise." And another naval officer expressed the official view: "If we substitute bombing planes for our turret guns, we will have a 'backboneless' fleet."[5]

The battleship was the centerpiece of the Navy, and to suggest displacing it with the aircraft carrier was to go against the conventional wisdom of the 1920s and 1930s.

In the Congress, the Committee on Naval Affairs—the forerunner of the House Armed Services Committee—reviewed the debate over the battleship in February 1921, and a few active-duty and retired Admirals were brave enough to state the case for the airplane. After

[4] Emile Gauvreau and Lester Cohen, *Billy Mitchell,* New York: E. P. Dutton, 1942, p. 60.

[5] Roger Burlingame, *General Billy Mitchell,* New York: McGraw-Hill, 1952, p. 114; Dudley W. Knox, Captain, USN, "Bomber vs. Battleship," *American Army and Navy Journal,* February 25, 1922, p. 605.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the testimony of one such witness, the Chairman of the Committee, Thomas S. Butler (R.-Pa.) responded with disbelief:

> Admiral, we are building ships to stand the shock of 16-inch shells. . . . In other words we are providing protection for the ship against a 16-inch shell and that shell, perhaps, may be fired from within two miles. Now, you do not mean to tell me that they can drop a bomb out of the air, a bomb with no propulsive force behind it, but which simply comes down of its own weight, that will be as effective as a projectile fired from a 16-inch gun?[6]

Butler represented the majority opinion of his Committee and the Congress, which sided with the Navy brass. And the Navy's best judgment on the matter was encapsulated in its General Board Report of 1921:

> The General Board, having kept in touch with naval progress along all lines, reiterates its belief in the battleships as forming the principal units of the fleet. Without them the United States cannot hope to cope with existing navies.[7]

This continued to be the prevailing view within the Navy as war clouds once again gathered. In 1938, the Chief of Naval Operations, Admiral William D. Leahy, defended his shipbuilding program with the same themes: "Battleships are the backbone of naval power. . . . A fleet, of which battleships are the main element of strength, is the only certain means of repelling an attack by existing foreign navies."[8] At the outbreak of World War II, six 35,000-ton and four 45,000-ton battleships were being built under the provisions of the Vinson-Trammell Act.

The attack at Pearl Harbor along with the battles of Midway and Coral Sea finally proved General Mitchell's point beyond refutation. The Navy redirected its shipbuilding efforts, and since World War II the aircraft carrier has been its capital ship, growing more sophisticated and expensive with each succeeding design.

III

As the newest carrier in the fleet, the *Nimitz* is the most awesome warfighting machine afloat. But many questions remain concerning the survivability of a ship even as powerful as the *Nimitz* in the event of hostilities. Of the many developments in naval warfare since World War II, two in particular pose a threat to the carrier: the nuclear-powered submarine and the cruise missile.

[6] Hearings Before the Committee on Naval Affairs of the House of Representatives on Sundry Legislation Affecting the Naval Establishment, 69th Cong., 3rd sess., 1921, p. 659.

[7] *Ibid.*, p. 932.

[8] *To Establish the Composition of the United States Navy,* Hearings Before the Committee on Naval Affairs, U.S. House of Representatives, 75th Cong., 3rd sess., 1938, p. 1943.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Most Americans who lived through World War II can recall the devastation and the threat posed by German U-boats. Senator Robert Taft, Jr. has compiled some statistics on the U-boat menace: in the month of June 1940, these crude, diesel-fired submarines sank 63 ships totaling 355,431 tons. During this time, the German Navy had only 19 U-boats at sea. Today, the Soviet Union has a total of 251 attack submarines, 80 of which are nuclear-powered.[9]

There is no comparison between the capabilities of a nuclear-powered and a conventionally-powered submarine. Admiral Hyman G. Rickover, an advocate of both nuclear-powered submarines and carriers, has said:

> If this country or Russia ever turned their forces of submarines loose, they would devastate the seas . . . nuclear submarines have never been tried out under actual conditions of war. It is beyond the comprehension of most naval officers to comprehend the difference between a submarine that can make 9 knots for one half hour and stay submerged for 2 days at most and a submarine that can make over 20 knots and stay submerged indefinitely. They cannot grasp the significance of this military capability . . . because they are too loyal to their previous concepts and to the regime and environment in which they have been brought up.[10]

As for the cruise missile, the editor of *Jane's Fighting Ships,* the authoritative digest of all the world's navies, flatly states that it "has altered the naval equation beyond recognition."[11] Since 1958, Soviet ships have carried cruise missiles that can be targeted against opposing ships from ranges of 20 to 550 miles. The U.S. Navy dropped what was then its only cruise missile program—the Regulus—in the late 1950s. According to the former Chief of Naval Operations, Admiral Elmo Zumwalt, the Regulus was terminated "on the theory that our carriers were so effective that we did not need cruise missiles, though some have suspected that the reluctance of the aviators' union to give up any portion of its jurisdiction played a large part in the decision."[12] The man currently in charge of the Navy's surface warships, Admiral James Doyle, puts it this way: "We've depended too long on our tactical air to supply that punch against a surface target."[13] The Navy is just now placing its first effective cruise missile at sea—the Harpoon,

[9] Robert Taft, Jr., *White Paper on Defense, A Modern Military Strategy for the United States* (copies available from Room 405, Russell Senate Office Building, Washington, D.C. 20520), 1976, pp. 28–30.

[10] Hearings Before the House Armed Services Committee, 94th Cong., 2nd sess., 1976, part 5, p. 576.

[11] John Moore, Captain, RN (Ret.), editor, as reprinted in *Seapower Magazine,* September 1975, p. 31.

[12] Elmo R. Zumwalt, Jr., *On Watch, A Memoir,* New York: Quadrangle Books, 1976, p. 81.

[13] Hearings Before the House Armed Services Committee, 94th Cong., 2nd sess., 1976, part 4, p. 365.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with a range of 60 miles. Foes of the supercarrier see this belated effort as yet another negative consequence of building the Navy around its capital ship.

In recent years, the Soviet Union has been launching one nuclear-powered attack submarine and one cruise-missile-carrying major surface combatant ship every three months. There are no indications that these launch rates will slacken in the near future. Soviet shipbuilding programs reflect the Kremlin's steadfast goal to defeat the Navy's floating airbases. To do so with the highest probability of success, the Soviet Union would stage a mass attack from the air and sea. The closer the carrier attempts to operate within range of these forces, in so-called high-threat areas, the more vulnerable it becomes to the new military technologies it has never faced.

The carrier's vulnerability in high-threat areas has become more pronounced with the declining number of U.S. carriers at sea. Although the Navy maintains a force of thirteen large-deck carriers, only four to five are deployed in forward areas at any one time; the rest are in their homeports or in shipyards undergoing conversion or repair. This means that an adversary has a very small number of high-value targets to concentrate its forces against. We may well be reaching the point where even small nations, armed with a modest but sufficient supply of cruise missiles, can disable a carrier through a surprise attack. As one former Pentagon official stated, "I am afraid we have gotten to the point, particularly in the eastern end of the Mediterranean, where one aircraft carrier cannot protect itself, just like one infantryman cannot protect himself."[14]

The Navy's response has been to build bigger and better carriers, as the requirement to operate "in harm's way" has not changed. Admiral Rickover sums up this position best: "The United States has given up any possibility of matching the Soviet Navy in numbers of ships; therefore, our only hope to be able to carry out our mission in the areas of highest threat is superior ships."[15]

As with its previous capital ship, the Navy has concentrated on increasing the armor and compartmentalization of the aircraft carrier; today's supercarrier has over ten times the compartmentalization of the old battleships. Because of these measures, Secretary of the Navy J. William Middendorf II believes that the *Nimitz* can take ten torpedoes "without slowing down," and that ten of the heaviest Russian cruise missiles would render the *Nimitz* inoperative, but only for a

[14] Testimony of Assistant Secretary of Defense Leonard Sullivan, House Armed Services Committee Hearings on Overall National Security Programs and Related Budget Requirements, 94th Cong., 1st sess., 1975, p. 211.

[15] *The New York Times*, May 6, 1976, p. 31.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

few hours.[16] The best way to evaluate these contentions would be with a replay of the Billy Mitchell bombing run, only this time with cruise missiles and a decommissioned carrier. As this event is unlikely to occur, it would be wise to keep in mind that Navy officials have a quite different assessment of the Harpoon, the U.S. cruise missile currently in production: "It is reasonable to assume that a Harpoon hit would cause considerable damage to even the largest combatant and that a series of hits would result in complete neutralization or sinking."[17]

For the future, the carrier admirals are counting on a new air-defense system known as Aegis to protect their capital ship in high threat areas. Aegis will be mounted on nuclear-powered strike cruisers (CSGNs) and conventionally-powered destroyers (DDG-47s). Two Aegis escorts will try to protect each carrier by knocking down incoming cruise missiles.

But Aegis has now been in development since 1969; it will not go to sea until 1982. Given this lag time, Aegis might well be outdated before it ever sees action. Still more effective Soviet antiship missiles are expected shortly, and in the distance looms the possibility of an antiship ballistic missile. To complicate matters further, it should be far easier for the U.S.S.R. to field a large number of relatively low-cost cruise missiles than for the United States to build $1 billion Aegis ships.

In light of the above, the National Security Council's decision that just one more supercarrier is needed has the appearance of a political compromise rather than a sound political and military judgment. The NSC's "preliminary findings" noted the *prospective* vulnerability of the carrier. But last year, according to one published report, the Soviet Union simulated a surprise attack by over 200 warships and 300 submarines within 90 seconds of each other, during the *Okean 75* naval exercises.[18]

In short, we are back to the central assumption of the carrier's vulnerability. The more the carrier attempts to operate in high-threat areas, the more its aircraft will be devoted to self-protection rather than power projection. And the more the carrier attempts to operate in high-threat areas, the more it runs up against new military technologies designed to blunt its mission.

IV

No carrier can withstand an attack by nuclear weapons. Nor can a

[16] As reported in *Aerospace Daily*, March 1, 1976.

[17] Senate Armed Services Committee Hearings, Department of Defense Appropriations, 94th Cong., 1st sess., 1975, part 3, p. 341.

[18] *The Detroit News*, August 23, 1976, p. 1.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

carrier reasonably be expected to survive a mass conventional attack by the Soviet Union. Thus the actual military value of another large-deck carrier narrows down to conflicts against Third World countries where the adversary either cannot or chooses not to retaliate at sea. This is where the *Nimitz,* like less illustrious predecessors, is most likely to see action.

Two questions immediately flow from this conclusion: Does the United States need another supercarrier for this purpose? And more importantly, is this the kind of action that the American people will support and that national leaders should pursue? In the wake of Vietnam, few would volunteer affirmative answers to this final question, although the troubling potential for American involvement in the Middle East and Northeast Asia refuses to fade away.

If the answers to these questions cannot be given in black or white terms, at least U.S. military forces should be structured so as to provide policymakers with various courses of action to pursue. At present, the only answer the U.S. Navy has is to send its large-deck carriers in harm's way. This lack of military flexibility affects national policy in a variety of situations.

In low-threat areas where the carrier's military utility is greatest, its diplomatic utility is most questionable. Given its accumulated history, the carrier presents the strongest possible image of American interventionism in many parts of the globe. In such cases, the carrier has a tendency to draw attention to itself, its political message washed away in the wake of the backlash stirred by its arrival. The presence of the nuclear-powered carrier *Enterprise* in the Bay of Bengal during the Indian-Pakistani War in 1971 is a case in point. The carrier's arrival was intended to signal India not to drive against West Pakistan after its successful military operations in the east. Whether any such signal was needed is open to debate; but there appears to be little debate among those involved that the chosen U.S. signal was particularly heavy-handed. Ostensibly, the *Enterprise* was sent to protect the few remaining Americans in what was to become Bangladesh. But the highest ranking American to be protected, the Consul General in Dacca, found that the deployment of the *Enterprise* had precisely the opposite effect—in addition to driving Indian-American relations to a new low.

Moreover, some potential Third World conflict areas are so close to Soviet power that they must be treated as high-threat areas. The presence of large-deck carriers in the eastern Mediterranean, for example, is a time-honored way of demonstrating national resolve or national support for an ally. This has now become an extraordinarily

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

risky practice, which explains why attempts have been made to move U.S. carriers out of the Mediterranean. If the carriers are disabled, the Navy will have precious little to fall back on. A wiser strategy would be to place ships of lesser value in harm's way to demonstrate national resolve, sending in our scarce and most valuable military assets only after hostilities have started. In the case of both high- and low-threat situations, naval forces are not designed to provide for such alternatives, and national policy suffers as a result.

Fortunately, there are alternatives to the supercarrier on the horizon, which will provide policymakers with more flexible choices of action. One such alternative is a minicarrier, now designated the VSS by the Navy. The VSS would use vertical and short takeoff and landing (V/STOL) aircraft, thus eliminating the requirement for the large flat-top and size of the *Nimitz*. The Soviet Union is pursuing this approach, as can be seen by the *Kiev* which recently sailed out of the Black Sea. At 40,000 tons, the *Kiev* is roughly the same size as the *Essex*-class carriers used by the United States during World War II, and the Marines' new landing and assault ship, designated the LHA. The *Kiev*'s V/STOL aircraft are no match for the high-performance conventional aircraft on board the *Nimitz,* but they are more advanced than anything comparable in the West. Still, the 40,000-ton *Kiev* fulfills the task of demonstrating national resolve as well as the *Nimitz,* which is twice as large and far more costly. Bristling with cruise missiles, the *Kiev* could also disable a large-deck carrier in a preemptive strike.

Because they are less costly, minicarriers can be purchased in larger numbers: for equal life cycle cost, roughly four VSS ships can be procured for the price of the next *Nimitz*. The smaller ships would not have the interventionist stigma which is attached to the supercarrier, while retaining power projection capabilities should the need arise. And the four VSS ships would place more aircraft at sea than one more supercarrier.

V/STOL aircraft platforms involve a substantial change for naval aviators, who are wedded to highly sophisticated fighters like the F-14. Perhaps because of this, V/STOL research and development programs have been poorly funded over the years. Admiral Holloway, however, has taken steps to give these aircraft development programs a higher priority. One hopes that his successors will show similar foresight. Still, the United States has a long way to go to attain the performance needed out of these experimental aircraft. This is the risk involved in redirecting the Navy toward minicarriers, as well as the reason why enthusiasts for the supercarrier con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tinue to argue for "one more" ship—even though it will take eight years to build. The risk in failing to achieve satisfactory performance from V/STOL aircraft must be weighed against the risk of fielding a small number of high-value targets vulnerable even to the military technology of today, and even more so to that of the 1980s and 1990s. In all probability, however, the technological problems with V/STOL aircraft will be easier to solve than the attitudinal problems involved in weaning the Navy away from its capital ship. After all, while Admiral Holloway was calling for increased V/STOL efforts, he was also asking for another *Nimitz*.

Another imaginative alternative to building the Navy around still another large-deck carrier is to rely more on land-based aircraft. One idea currently circulating within the Pentagon is to use planes approximately the size of a Boeing 707 to patrol the oceans. These aircraft, which could be on station up to 24 hours, would be equipped with weapons and sensors to counter an adversary's ships, submarines and aircraft. Each aircraft, now designated the land-based multipurpose aircraft (LMNA) and nicknamed "Big Momma," will cost less than half as much as the least expensive naval ship now under construction, while having far greater capabilities. Initial Navy reaction is reported to be cool, "because the concept is viewed as a potential competitor to the aircraft carrier."[19]

These alternative approaches would undoubtedly help the Navy carry out its sea control mission; they might also provide some assistance in carrying out power projection in low-threat areas. But they do not address the Navy's requirement for power projection in areas of the most severe threat. Ironically enough, a partial solution to this problem might be to combine the very elements that now constitute the biggest threats to the carrier. Armed with highly accurate, tactical cruise missiles, nuclear-powered submarines could be used to project power ashore. Just as ballistic missiles have taken away the carrier's strategic mission, so too may cruise missiles chip away at the carrier's role in conventional wars.

V

But the real question before the Navy is not how to best preserve its power projection mission in high-threat areas. The fundamental question is whether we should continue to expect and design our Navy to project power in the most severe retaliation zones. The new realities of naval warfare—as well as anticipated trends—clearly dictate a rethinking of the Navy's role here.

[19] *Aviation Week and Space Technology*, October 18, 1976, p. 91.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This is bound to be a painful experience for the Navy, because any tampering with its capital ship touches a number of highly sensitive nerves. Nevertheless, a redefinition of the services' roles and missions for power projection is clearly needed. Within the umbrella of Soviet air and naval firepower, it would seem wise to rely more upon the Air Force and less upon the Navy to project American power against land targets. The Air Force has refined and practiced the needed aerial refueling techniques. And if we cannot rely on air bases on the ground to support such combat operations, it is difficult to imagine how floating air bases can survive under present circumstances.

A corollary conclusion would be to reaffirm the Navy's primary mission of sea control and to design future ship construction programs accordingly. Along with the ascendancy of the large-deck carrier as the Navy's capital ship came a de facto reversal of mission priorities; since World War II, the secondary mission of power projection has taken precedence over the Navy's primary mission of sea control. This is because the carrier—though useful for many purposes—is first and foremost a power projection ship. A careful look at the carrier's aircraft, deployment practices and historical record all confirm this point. And the *Nimitz* has been boosted at the expense of its lower cost alternatives on precisely these grounds: it has superior power projection capabilities.

Since World War II, the Navy's shipbuilding programs and budgets have reflected its reversed mission priorities. Some accounts say as high as 50 percent of the Navy's budget revolves around its capital ship.[20] One additional nuclear-powered carrier will undoubtedly help to maintain the imbalance between funding and mission priorities. But even without the new carrier, this imbalance will continue as new escort ships are built to protect the Navy's biggest investment. The next carrier, for example, will bring along with it two nuclear-powered strike cruiser escorts. The life cycle cost of each strike cruiser is $2 billion; the Navy wants at least ten strike cruisers.

The decision to purchase "one more" carrier like the *Nimitz* signals the Navy's determination not to let any redefinition of roles and missions occur. A continuance of the Navy's reversed mission priorities may prove to be a costly proposition in more ways than one: as long as the Navy's secondary mission of power projection continues to draw funds beyond its significance, ship construction budgets will continue to be excessive. The current budget jumped 58 percent—from $3.928 to $6.195 billion; similar increases can be expected in the future. The

[20] John W. Finney, "Dreadnought or Dinosaur?" *The New York Times Magazine,* January 18, 1976.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

return on these outlays remains questionable, because high-priced ships for whatever mission can still be countered by new naval strategies employing relatively low-cost weapons. Large increases in ship construction programs are not the answer to the Navy's current plight, because the essential problem is not one of resource allocation. The central problem has become the Navy's continued and exclusive reliance on its capital ship to solve this nation's naval problems. The Navy continues to look backward for its solutions at a time when new military technologies demand new conceptual approaches.

Once before in the recent past, the Navy mistakenly clung to its capital ship in the face of new weapons and tactics. How deep does the parallel run between the Navy's former alliance with the battleship and its current commitment to the supercarrier? Today's controversy is far more complex than the one generated by General Billy Mitchell. For one thing, there is no simple alternative to the Navy's current capital ship, as there was back in the 1930s. And rarely, if ever, does history lend itself to such neat comparisons. But the echoes of the battleship debate still haunt the Navy today. Enough of those echoes ring true to give pause to all but the most tunnel-visioned supporters of today's capital ship. During World War II, the United States had the time and the protection of two oceans to correct its shipbuilding mistakes. In any future war, we can no longer count on either.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

John Paton Davies

AMERICA AND EAST ASIA

Although he had understood that the Chinese were "droll in shape and appearance," George Washington was in 1785 taken aback to learn that they were not white. For their part, the Chinese viewed Americans as a new and insignificant breed of Europeans and, like the Europeans, barbarian, intrusive, hairy and malodorous.

Two hundred years ago East Asia and the new American nation were separated not only by the world's biggest ocean but also by the wilderness of most of the North American continent. And so, while Columbus had come upon America by sailing westward, the first American ship to make its way to East Asia, in 1784, did so by sailing in the opposite direction, through two oceans—the Atlantic and the Indian—and past three continents—Europe, South America, and Africa.

Thus, East Asia was for Americans the most remote part of the earth, and its various civilizations the most exotic. Even some 80 years later, after the purchase of Alaska, when across the 36 miles of Bering Strait, Asia became the nearest continent to the United States, it was still true that no cultures were more alien to Americans than those of China, Japan, Korea and Southeast Asia.

And yet, it was to East Asia that the greatest outpouring of American altruism flowed. It was also the area in which Americans fought four major wars—more than anywhere else overseas. The Spanish-American, Pacific, Korean and Indochinese wars were conducted in eight East Asian countries: the Philippines, China, Burma, Japan, Korea, Vietnam, Laos and Cambodia. The United States also intervened militarily in Korea, in China, and in the Russian Far East during the Russian Revolution.

So while the people of East Asia were acquainted with manifestations of ardent American idealism, they also on occasion had brought home to them expressions of American displeasure.

In no other part of the world did the United States more persistently and actively oppose imperialism and what it regarded as attempts by others to create hegemonies. But it was in East Asia (and the Caribbean) that the United States forcibly acquired colonies. In recklessly seizing the Philippines from Spain, the United States got a colony about the size of Italy and made itself an imperial power.

Events beyond the shores of the United States, however, either had little effect on Americans or, if perceived as threatening, usually stimulated a sense of national unity. The strongest exceptions to this occurred in East Asia. One was the so-called "loss of China" which at mid-twentieth century was so exploited by politicians and publicists as to foment morbid distrust and disunity in domestic

---

John Paton Davies was an American Foreign Service officer from 1931 until 1954. He served in China, the U.S.S.R., and Germany, and as a member of the Policy Planning Staff. He is the author of *Foreign and Other Affairs* and *Dragon by the Tail: American, British, Japanese and Russian Encounters with China and with One Another.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

American political life. The other was the disastrous American involvement in Indochina, which created widespread rancor and cynicism deeply disrupting national cohesion.

Nearly two centuries of relations with East Asia have been a costly experience for the United States both physically and psychologically.

II

Of all of the countries of East Asia it was China that Americans found most alluring. It was the biggest and richest and it seemed to hold promise of fat profit for traders. For those who felt called to save souls, it contained an abundance of them in challengingly heathen condition.

The Chinese made no attempt to encourage Americans in these assumptions. They were above being flattered by the interest shown in them, for they deemed themselves to be the only civilized people under heaven and all others to be barbarian. The Confucian literati who administered the Chinese Empire viewed their own merchants as a contemptible lower class, and foreign trade in the tradition of the exchange of tribute from vassal states and gifts benevolently bestowed on obsequious tribute-bearers by the Son of Heaven. In this make-believe context they condescended to permit Americans—as they had allowed Europeans—to trade, but only at Canton and under restrictions resembling house arrest.

Chinese officialdom's attitude toward American and European missionaries was, in the 1830s, when the first American evangelists arrived, even less benevolent. Because the authorities at that time considered Christianity to be subversive of public morality and decorum, its propagation was punishable by strangulation. The earliest American preachers therefore prudently masqueraded as merchants and bided their time, foregoing the heavenly rewards of martyrdom.

Being newcomers to the Far East, relatively few in number, and without the ready protection of their navy, the Americans at Canton in the early nineteenth century were cautious in their relations with the Chinese authorities, who described them as becomingly "submissive." The Yankee traders left it to the British to take the initiative in pressing for more liberal treatment of foreigners. While the Americans developed their own particular trade in New England ginseng (a root fancied by the Chinese as a virility-booster), furs and Hawaiian sandalwood in exchange for tea, porcelains and silk, Yankee shrewdness and avarice drew many of them into less innocent traffic.

The British had built up a lucrative business in the export to China of Indian opium. Enterprising American traders followed in the British wake and even introduced opium brought from as far as the eastern Mediterranean. Some of the considerable profit from pushing the drug was applied to creating infrastructure for westward expansion in the United States. One of the railroads that got off to a good start on opium was the Chicago, Burlington & Quincy.

Chinese objection to the debauching influence of opium was not the sole cause of the Opium War. The flourishing drug traffic had also upset the trading balance, and this led to a drain on China's silver. The reaction of the Imperial Commissioner at Canton was to seize and, without compensation, burn the stocks of opium awaiting sale. The British retaliated with naval action initiating the First Anglo-Chinese War, better known as the Opium War.

As neutrals, American traders fared nicely during the hostilities, taking over much of the British commerce, including opium. Subsequently, they benefited

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

from the trading concessions exacted by the British from the Chinese in the Treaty of Nanking in 1842. Two years later Caleb Cushing, the first American envoy to China, concluded with the Imperial Commissioner the Treaty of Wanghsia, which duplicated the concessions already yielded, and granted extra-territorial rights to Americans, exempting them from Chinese civil and criminal jurisdiction. Then, through most-favored-nation privileges, American missionaries benefited from a French-Chinese treaty providing for toleration of Christianity.

So, in the case of Yankee businessmen, trade followed the flag—the Union Jack. And with American missionaries, the cross followed the flag—the Tricolor. It was all relatively effortless—beneficiary imperialism. And thus it continued through the nineteenth century as the Europeans "opened" China by force and the threat of force.

The importunate West (including the Americans) took for granted that its intrusions were righteous. For did they not convey the material benefits of trade and the intangible blessings of enlightenment and salvation? At the same time, out of practical considerations, the Westerners were careful to confirm by treaties the legitimacy of their intrusions.

To the obdurate Chinese, the intrusions of the West were outrageous. Trade with the West, when not corrupting or depleting, was regarded by the Court and the mandarinate as essentially frivolous: what of significance could barbarians add to the refined abundance of the Middle Kingdom? Most offensive, of course, was the persistent, insatiable encroachment, not only in commerce but also in religious proselytization. As for the treaties, they were not freely negotiated: they were imposed upon the Chinese and so came to be designated by them as "unequal treaties"—a rallying slogan for anti-foreignism well into the twentieth century.

III

Japan was something else for the Americans. Europeans in the late eighteenth and early nineteenth centuries had not been able to establish a foothold in Japan as they had at Canton. So Americans approached that country independently, on their own.

They were not welcome. No less xenophobic than the Chinese, the Japanese rebuffed American efforts to gain acceptance. It was not until 1849 that Commodore James Glynn, with a show of naval strength, induced the Japanese to treat with an American, himself, and release shipwrecked American seamen detained by them. Four years later Commodore Matthew C. Perry and his four "black ships" arrived in Edo Bay intent on opening a nation that wanted only to be left alone.

As in the case of China, American motives toward Japan were a jumble of high-mindedness and scruples of lesser elevation. It was not unusual for Americans to speak of obligations resting upon the United States to bestow civilization, progress and Christianity upon Japan. More prosaically, the islands were thought to offer rich commercial opportunities, although not on the scale of China's. Also, American whaling and shipping interests wanted relations with Japan that would protect vessels and crews in distress on the uncharted shores of the archipelago and provide supply, particularly coaling, facilities for ships plying the western Pacific.

For a people who exulted in opening and conquering the breadth of a con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tinent, the impulse was strong to expand American influence to the forbidding, tantalizing islands across the North Pacific. To bring Japan into the family of nations would gratify the national ego. For the naval officers who were to play a leading and prominent role in the enterprise, the opportunities for promotion and renown were stimulating.

Perry and Townsend Harris, the first American civilian representative, forced themselves upon Japan at a time of turbulent change in that country. The origins of the unrest were both foreign and domestic. The foreign causes were recurrent alien pressures for the opening of Japan. On top of these came Britain's defeat of China in the Opium War, a frightening omen of what could readily befall Japan. Then the brusque American intrusion revealed Japan's weakness, alarmed its inhabitants and confronted them with the urgent need to devise means for coping with the external threat.

The Japanese were not bound by a comprehensive world view and did not preen themselves on being the only civilized people, as did the Chinese—and the West. They had much less of the smug ethnocentrism that immobilized the Chinese in complacency. The anti-foreignism of the Japanese spurred them to learn from the source that threatened them. Soon after the Perry visitation, the authorities established an Institute for the Investigation of Barbarian Books. The Japanese interest lay, as it had from early contacts with the West, in learning what made the intruders strong, in weapons, science and technology. But Western political philosophy and religion were considered to be disruptive of public order and morality, and so were ignored.

What to do about the foreign menace was entangled with the domestic crisis, the nature of which was not fathomed by most American officials at that time. The existing feudal system, in which an overlord, the Tokugawa Shogun, exercised a qualified hegemony over a variety of local military lords, was in the final stages of decay. It had replaced in the seventeenth century a centralized imperial system derived from the example of China, but it had not extinguished the monarchy. Successive emperors and their Courts endured. They did so in reduced circumstances and were paid little attention. But they were not repudiated.

The social decomposition of the mid-nineteenth century was marked by famines and economic dislocation, impoverished peasants and villagers disrupting the cities, a decline in the Shogunate's power, and the rise of outlying clans which had not been brought thoroughly under the sway of the Tokugawa House. The sinews of power in the feudal system were the samurai, a hereditary aristocratic warrior class, by tradition fiercely loyal to their lords, whose domains they administered. Those pledged to the Tokugawa Shogun and his supporters had over the course of two settled centuries lost much of their tempered martial edge and become sedentary bureaucrats and scholars, but intellectually less fettered than the Chinese literati. In contrast, the samurai of the recalcitrant clans retained much of the rigorous militancy of old.

In the turmoil and bloodshed of the 1860s the issues were mixed. In simplified definition they were: whether to persist in the policy of seclusion and so risk foreign attack or to accept open relations with foreign countries; and whether to sustain the Tokugawa Shogunate, or to seek collaboration between the Shogunate and the Imperial House, or to unify the country under the Emperor as the atavistic embodiment of Japanese nationalism.

Forces advocating nationalistic unification of the country under the Emperor

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and acceptance of foreign relations won. They were led by bold and intellectually venturesome young samurai of the restive southwestern clans. These purposeful young men, embracing a loyalty above that to their feudal lords, rose against the Shogun, in confused feudal conflict forced his abdication, and in 1868 installed the Emperor as supreme authority over all Japan.

This was the Meiji Restoration, so designated because Meiji was the name given to the reign of the Emperor Mutsuhito. During the 44 years of the Meiji era Japan underwent a transformation from handicrafts to heavy industries; from exegesis of Japanese mythology and Confucian classics to exploration and selective adoption of Western knowledge; from reclusive feudalism to expansive imperialism as a world power with a sense of ordained mission. Perry's purpose of "bringing a mighty Empire into the family of nations" was amply realized, but not his pious dream that this be "within the influence of our benign religion."

The extraordinary phenomenon of the Meiji Restoration set Japan apart from other East Asian countries. And it revealed traits that were again apparent in the Pacific War and the remaking of Japan after defeat in 1945. Among these characteristics were a virile, affirmative hardihood and, paradoxically, rapid adaptability to changed circumstances. Furthermore, the Japanese showed no liking for one-man dictatorship, preferring collective decision-making and leadership. Although fierce internal disputes flared, the dominant characteristic was an unsurpassed national unity.

IV

Notwithstanding the profit, pride and moral satisfaction that Americans derived from East Asian ventures, that part of the world was, for the first century of contact, essentially of peripheral interest to the great majority of them. The center of American attention, the real national interest, was in the expanding and industrializing homeland. American trade with China hovered around one percent and with Japan two percent of total American foreign commerce.

Enthusiasm for American involvement in and across the Pacific flourished during the first 80 years of relations not so much in Washington officialdom as among American representatives in East Asia. Perry was disappointed that Washington did not share his eagerness for a more active policy toward Japan and for the extraction of concessions from China. Dr. Peter Parker, a medical missionary turned United States Commissioner to China, in serving God, Hippocrates and Mammon, pressed Washington to occupy Formosa and generally get tough with the Chinese in the furtherance of American business.

Korea, claimed as a vassal state by China, was in the 1880s the scene of outstanding individual initiatives by American representatives whom Washington had let out on a long, loose tether. The ambitious Commodore Robert W. Shufeldt pridefully opened the Hermit Kingdom in 1882, negotiating a commercial treaty that implied Korean independence of China. A year later another naval officer, Ensign George C. Foulk, became involved in Korean affairs and was quickly advanced to the position of chargé d'affaires of the American legation at Seoul, where he indulged in intrigues with the Japanese and Russians against devious Chinese efforts to maintain some semblance of sovereignty over Korea. Foulk was followed by Dr. Horace N. Allen, a missionary physician who for some ten years had also busied himself in scheming with the Japanese and Russians in what he conceived to be the advancement of Korean independence. Allen's con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tinuing endeavors, as American minister to Korea, were interrupted in 1894 by the Sino-Japanese War.

Perry, Parker, Shufeldt, Foulk and Allen were among the more aggressive American representatives in East Asia, implicating the United States in their striving for national (and personal) advantage and renown. They were not the last of their type, nor necessarily the most damaging to the long-term interest of the United States.

It was in Korea that the first political jostling occurred among the four countries that were to loom so large in the second half of the twentieth century—the United States, Japan, China and Russia. American intervention in Korea, official and private, was in an area of no real importance to the United States. But that peninsula was for the three countries closest to it of vital strategic concern—a corridor for attack by Japan against China or Russia, or by either of the latter two against Japan. None of the three was more keenly aware of this than Meiji Japan.

As imperialism is an expression, in part, of anxiety, it is not surprising that Japan moved to expel China from Korea and deny it to Russia, which was looking greedily down into the peninsula from its newly established position in Vladivostok. The Sino-Japanese War of 1894 lasted less than a year, ending in a sweeping Japanese victory that astonished the West. From it the Japanese garnered Chinese recognition of Korean independence, cession of Formosa and the Pescadores to Japan, and a substantial indemnity. Japan was now launched as a modern imperialist power.

The Japanese had been apt pupils. They had learned well the lessons of the West. They had concentrated on the creation of a strong army and navy, which they put to decisive, disciplined use. So well had the Japanese absorbed the ways of the West that they spoke of the attack on China in terms of bestowing civilization on their former paradigm and of the hostilities as a holy war. Although satisfied that they had made it, that they were now members of the imperialist club, the Japanese did not for a moment assume that their mission was now completed.

Defeat at the hands of the despised Japanese was a nasty shock for the Chinese. A scramble for concessions by the European powers following the Japanese success further jolted the Chinese. Reformist elements in China clamored for a quickening of the torpid pace of modernization. The young Kuang-hsu Emperor responded by essaying the role of Mutsuhito and Peter the Great, issuing in 1898 a series of far-reaching reform edicts. His daring move was soon undone by sluggish and reactionary officials and by the Empress Dowager, Tsu Hsi, who imprisoned him and embarked on a retrograde reign.

V

Americans reacted to Japan's victory over China with surprised admiration of the victors, flavored with self-congratulation. Having pried the Japanese onto the world scene, Americans felt pride in the accomplishment of their protégés. Some Americans also thought that the Chinese had been taught a salutary lesson which might stir them from their stagnant state.

Other and less transitory opinions, some of them contradictory, shaped American attitudes toward East Asia in the last decade of the century. The slack American economy after the 1893 depression caused many businessmen to look

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

hungrily to the fancied market of hundreds of millions of Chinese. They were anxious lest China be taken over piecemeal by European and Japanese imperialists, and American business be excluded. So they wanted Washington to pursue a vigorous policy in Asia. Those dedicated to the Christianization of the Orient likewise sought greater American involvement in East Asia. The support for proselytization, generated in virtually all American churches, was more pervasive than the economic pressure to intervene in the Far East.

A smaller body of opinion, but with disproportionately great influence in the government, was preoccupied with the dynamics of international power relationships. Its members held in varying degrees to a belief that those of Anglo-Saxon and northern European stock were superior to others, but that the United States was threatened by the swarming lesser breeds of Asia. The stridency of these warnings, incidentally, was echoed a half century later in the alarms sounded about the menace of international communism.

The aroused ideologues of the 1890s saw the encroachments upon China not only as threatening to exclude American business but also as a power struggle which might flame into a world war. Being at once anxious and purposeful, these proponents of Manifest Destiny—men such as Alfred T. Mahan, Brooks Adams, Theodore Roosevelt and Henry Cabot Lodge—advocated positive action in East Asia to protect American interests and maintain a balance of power. They were of an imperialist bent, affected by the zest for conquest—along with greed, vainglory and anxiety—that animated European and Japanese imperialists.

A provocative American policy toward Spain in the Caribbean exploded into war with that European nation, a most reluctant adversary. These hostilities provided a far-fetched excuse for seizure of the Philippine Islands. Roosevelt and Lodge were prime instigators of this heedless adventure. In high spirits most of the country went along with the escapade and the President, William McKinley, found justification for annexing the archipelago in pledging to save the souls of the Filipinos—a mission in which the Spaniards had been engaged for 300 years.

For their part, the Filipinos displayed a more lively concern for their temporal than for their spiritual condition. They had initially labored under a misapprehension regarding American intentions. They had assumed that liberation from Spain meant independence. When the Filipinos realized that their liberators intended to take the place of the Spaniards as their rulers, they began guerrilla resistance to the Americans that lasted from 1898 to 1902.

The United States thus became a full-fledged colonial power in East Asia—but without the obstinate resolve to make sure its imperialist pretensions. The Philippines were in no sense of vital interest to the American people. Whatever the shifting sentiments for economic, religious and political involvement in East Asia, they were not, however compelling at times, constant enough to sustain indefinitely an exposed strategic commitment on the other side of the Pacific. Particularly was this so because the vulnerable salient of Manifest Destiny lay athwart the axis of Japanese southward expansion. Even Theodore Roosevelt, with maturity, came to confess that the Philippines were our Achilles heel.

Annexation of the Philippines and Guam was a major American blunder. Its effects persisted for decades, contributing to the mutual antagonism growing between the United States and its best customer in East Asia—Japan.

One of the motives for taking the Philippines was to use the islands as a base from which to do business with China. The mirage of China as a vast and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lucrative market and field for investment had enticed Americans for more than a century, and would continue to do so. But the Philippine connection was artificial and ineffective. The main effort to maintain and develop the American foothold in China took the form of diplomatic notewriting to the contending imperialist powers.

Among those in 1898 favoring a strong policy in support of Chinese resistance to European and Japanese encroachments was William W. Rockhill, who had served in China and was then the principal official in the Department of State dealing with Chinese affairs. The Secretary of State, John Hay, and President McKinley were more cautious. An Englishman, Alfred Hippisley, whom Rockhill had known in China as an official of the Chinese Maritime Customs, passed through Washington on vacation and presented to his American friend a formula for equal economic treatment of all foreign business in China. This they developed into a proposal that Hay and McKinley thought well of and which finally blossomed into what was called the doctrine of the Open Door.

The Open Door proposal was initially put forward in notes addressed by Hay in September 1899 to the governments claiming spheres of influence in China, asking, in effect, assurances of non-discriminatory economic treatment of other foreign business in areas under their influence. Although addressed to foreign governments, the notes were meant by Hay also to placate those Americans clamoring for a more aggressive policy in China. The governmental responses to Hay's solicitations were at best wary. This did not deter Hay from proclaiming unanimous consent to his proposal. He won, thereupon, intemperate acclaim in the United States for his statesmanship.

Hay had not consulted with the Chinese about the Open Door notes. Nor was any notice taken of the Chinese opinion that the territorial concessions to foreigners, extracted under duress, were unjust. The Chinese therefore had no reason to be particularly grateful for what Washington had done.

In 1900 Hay expanded the Open Door doctrine with an imprudent pronouncement that it was American policy to "preserve Chinese territorial and administrative entity." This histrionic commitment, impossible of attainment, was typical of the hyperbole that too often afflicts presidential and secretarial pronouncements. Nevertheless, for half a century this inflated version of the Open Door was accepted by American officials as revealed scripture to be invoked against those who would wrong China.

In sum, the United States entered the twentieth century with an imperial obligation that the American people were not determined to fulfill, with illusions that China was an area of pregnant importance to the United States, with pledges to preserve that distant land's moot entity, and with reliance on expostulation as a force in international relations.

VI

Japan had taken Formosa from the Chinese; the United States had taken the Philippines from the Spaniards—and the Filipinos. Now it was Japan's turn: to take Manchuria from the Russians—and the Chinese.

The Russians had lumbered punitively into occupation of key parts of Manchuria following the anti-foreign Boxer uprising in China. There was little doubt in any quarter that St. Petersburg was intent on rounding out its Far Eastern position by acquiring at least Manchuria.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Washington, whose interest in Manchuria was visionary—expectations of extensive economic benefits—brooded over the Russian consolidation in Manchuria. On dealing with St. Petersburg, Hay commented to President Theodore Roosevelt in 1903: "Dealing with a government with whom mendacity is a science is an extremely difficult and delicate matter." Hay also reported that the American minister to China "has the pessimism about Russia which is almost universal out there. 'What's the use? Russia is too big, too crafty, too cruel for us to fight. She will conquer in the end. Why not give up and be friendly?' "

Mahan warned of Russia's advancing into China in a gigantic pincers move, through Manchuria and Central Asia, threatening China's survival and the future of Western civilization. Only the resistance of the sea powers, including Japan, Mahan asserted, could avert this catastrophe.

Whether Japan worried about the future of Western civilization is questionable. There is no doubt that it was anxious about its own future, with a Russia on the prowl moving into Manchuria. Would Korea be next?

Inevitably, Japan struck. The Russo-Japanese War lasted a year and a half, ending in 1905 with Japan, the victor, on the verge of exhaustion, Russia distracted by its 1905 revolution, and Roosevelt acting as peacemaker.

In so doing the American President won the appreciation of neither side. The Russians resented his pro-Japanese attitude at the outset, for he did not really dissemble his initial relief that Japan was "playing our game" in grappling with Russian expansion. And in the end the Japanese became disgruntled because they felt that at the Treaty of Portsmouth Roosevelt had shortchanged them on their due as the winners.

As Korea had in 1894 been the field of contention among those four nations which were to become dominant in East Asia during the 1970s, so Manchuria was in the Russo-Japanese War the arena of four-way interaction among Russia and Japan as the combatants, China as the involuntary, ignored and victimized host of the event, and the United States as the honest broker.

Japan's acquisition of Russia's rights in South Manchuria and acknowledgment of Tokyo's paramount interest in Korea engaged Japan's attention on the Asian continent. Tokyo's compulsion to further continental expansion was bound to be directed at China, as being more vulnerable than Russia. As for Russia, the 1905 defeat was a temporary reverse. Another revolution and the passage of 40 years, then Russia would have its revenge.

Roosevelt foresaw a Russian "wish to play a return game of bowls." In-job training as President had advanced TR's understanding of power realities from the days when, as a callow Assistant Secretary of the Navy, he had dispatched Commodore Dewey on a cruise culminating in the Battle of Manila Bay. Now that he was President, Roosevelt's major concern in East Asia was to avoid the need for defending the Philippines.

To that end, Japan should be deflected from southward, oceanic expansion. Roosevelt therefore welcomed Japan's plunge into Manchuria but worried lest it be too easy and Tokyo's interest then turn southward. His preference was that Japan and Russia long be at inconclusive loggerheads. Above all, the United States should not cross Japan in Manchuria or otherwise give it cause for hostility.

With a realism seldom encountered in his successors, TR struck deals with Japan over spheres of influence. He sent his Secretary of War, William Howard Taft, to treat in 1905 with the Japanese Prime Minister for Japanese recognition

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of American preeminence in the Philippines in exchange for American acceptance of Japanese predominance in Korea. More formally, in 1908, his Secretary of State, Elihu Root, and Japanese Ambassador Takahira exchanged notes in which the two governments undertook to respect one another's possessions in the Pacific, maintain the Pacific status quo and, of course, stand by China's independence and the Open Door.

Understandably, TR felt that he had done as well as could be expected in preventing a Japanese-American clash over territorial issues. But he recognized that what remained to be done was subtler and less tractable. This was the issue of racial and cultural prejudice in the United States. And it related to the Chinese as well as the Japanese.

American attitudes toward the Chinese and Japanese fluctuated and were often ambivalent. Orientals were by legend quaint, ceremonious, sage and at times fiendish. By the accounts of early sailors, traders and missionaries, Asians were honest, industrious, steeped in sin as much as vice, and prone to outbursts of bloody violence. It was generally thought in nineteenth-century America that Asians were so different from Americans—meaning the descendants of European colonists—as to be unassimilable in American society.

The first students and officials from China and Japan to visit the United States, coming to partake of the superior wisdom of the West, were appropriately greeted with friendly, patronizing curiosity. But with the immigration of laborers in growing numbers, Americans reacted with mounting hostility, particularly in the western states. The thousands of Chinese who were brought in during the second half of the nineteenth century for unskilled work in opening the West were viewed by American labor as an economic threat—excessively hard working and impossibly frugal. The Chinese were treated abominably and from time to time were murdered, singly and collectively, both gratuitously and with impunity. Without gunboats on the Sacramento and Potomac, China discovered that protests over American barbarities were ineffectual.

By the turn of the century Americans began to look apprehensively over their western shoulder, across the Pacific, at the Asian hordes which Mahan and less respectable theoreticians proclaimed could outbreed, overproduce, undersell and perhaps even subjugate the United States. After Japan's defeat of Russia, anti-Japanese sentiment and behavior on the West Coast intensified. Tokyo, which had been beguiled by the widespread American support for Japan in the war, was shocked by the California racism, and so in 1906 protested to Washington.

Tokyo's protest went to the issue—racism—that Roosevelt believed to be more ominous for American-Japanese relations than that of territorial expansion. While the President, too, had expressed concern about a yellow peril, he had no patience with manifestations of racism that compromised his policy of appeasing Japan. He felt that the Japanese were too dangerous to offend. Secretary Root warned that they were proud, sensitive, ready for war and could take the Philippines, Hawaii and "probably the Pacific Coast."

The Pacific Coast whites were not much moved by Washington's entreaties for tolerance. However, in 1907 Roosevelt improvised a Gentlemen's Agreement with Tokyo for limiting Japanese immigration. But this could not for the Japanese (and other Asians) remove the insult of racial discrimination—for the United States at the same time continued to welcome a flood of European immigrants.

The year 1907 was a strenuous one for Roosevelt. He sent the American battle

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fleet around the world to reassure the Californians, arouse national enthusiasm for a bigger navy, show off in front of the Japanese (who handled the visit with tact and hospitality), and flaunt the flag in improbable places. At the same time, the United States underwent a war scare, with rumors of numerous Japanese spies at large and Japanese preparations to attack. The talkative TR added his bit to the atmosphere of unease by wondering out loud to the German ambassador whether the Japanese might land on the Pacific Coast and inflict a devastating initial defeat on the defenders. The Americans would, he reassured the envoy, of course rally to triumph in the end.

Roosevelt set the Navy to work on a war plan for hostilities against Japan. Although the admirals reckoned that any crisis with Japan was well in the future, they dutifully produced a strategic Orange Plan, against Japan.

The virulent anti-Japanese manifestations in the United States caused the Japanese government and its army and navy high commands to reexamine their assumption that relations with the United States were amicable and likely to continue to be so. This assumption had proceeded primarily from a belief that possible friction over territorial expansion had been rationally disposed of by mutual agreement on spheres of influence. The understanding appeared to have been effective: Washington was not contesting Japan in Korea and Manchuria, and Tokyo had, from early in the American conquest of the Philippines when it turned down Emilio Aguinaldo's plea for help in his resistance to American rule, refrained from trespassing on that American preserve.

So imperial rivalry was not the main cause of the trans-Pacific tension. The cause was, primarily, American racism, as regards both discriminatory immigration and agitation regarding a yellow peril. This racism acutely offended and baffled the Japanese. The imperial army and navy revised their list of potential enemies. Russia remained as definitely the most likely foe. But, although they felt that the threat was not near, the United States was ranked number two.

At the time that Perry opened Japan, the Japanese desperately wanted to keep the Americans out of their country and feared attack by the white peril. Fifty-four years later Americans desperately wanted to keep Japanese out of their country and feared attack by a yellow peril.

In the tragic absurdity of the American experience in East Asia, the United States and Japan had in the first decade of the twentieth century swung onto collision course.

VII

President William Howard Taft and his Secretary of State, Philander C. Knox, sharply altered American East Asia policy. No longer was an expanding Japan the focus of attention. Nor were the central concerns to divert Japan's aggressions westward, to maintain agreement regarding American and Japanese spheres of influence, and studiously to avoid, as far as possible, giving offense to the Japanese.

From 1909 a palsied China was Washington's main interest in East Asia. The Taft Administration's principal concerns were to broaden American economic activities in China, to strengthen China, and to preserve "our historic policy," meaning the Open Door. Taft and Knox believed that American economic expansion should be directed so as to contribute to the reform, development and independence of China. This was part of what they infelicitously called Dollar Diplomacy. Profit and altruism would thus go hand in hand.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The President and Secretary extended this touching concept to, among other worthy projects, a proposal for neutralizing Manchuria's railways under international control, wherein American influence would press for international collaboration to the benefit of all concerned. Taft and Knox appear to have actually supposed that this vision of sharing and "fair play" (frequently invoked by Knox) would appeal to the contending powers in Manchuria. The end result was that the British, from whom Knox had hoped for support, backed away in embarrassment and the Japanese and Russians overcame their mutual antipathy enough to agree in rebuffing the American meddling, and then entrenched themselves more firmly in, respectively, south and north Manchuria.

Nor did Dollar Diplomacy captivate Wall Street, where the dollars for the diplomacy were to come from. It was necessary for the Administration to press American capitalism to invest in China. E. H. Harriman, who toyed with the idea of a round-the-world railway, and several reluctant New York financiers joined in an ill-starred railway loan. But in general, Wall Street was distinctly loath to become involved in China.

After four years of Dollar Diplomacy, American investments in China were slightly more than one percent of total American investments overseas, up 0.2 percent over what they had been more than a decade earlier. American exports to China declined from the Roosevelt days and during Taft's tenure of office fluctuated fractionally around one percent of all American exports.

East Asian policy under Taft was essentially a moral endeavor. Knox spoke of the American dollar aiding suffering humanity. He declared that "it would be much better for us to stand consistently by our principles even though we fail in getting them generally adopted." Whether Americans would go to war for his policy was "academic," Knox asserted; what was important was that the United States stick to its principles without compromise. And "our historic policy," the Open Door, must be preserved, thus making a policy a dogma.

Taft and Knox were abetted, if not inspired, by two zealous young diplomats, Willard Straight, chief of the Division of Far Eastern Affairs, and Francis M. Huntington Wilson, whom Knox appointed as first assistant secretary of state. Both abominated the Japanese, their culture and their encroachments on the mainland. With compensating ardor, they championed an idealized China and argued that broad support of China was in the American national interest. Straight, a restless political romantic, envisioned in 1907 Americans "empire shaping" China. These two virtuosos were among the more effective, alas, of the bright young men with a mission who occasionally enlivened the pin-striped ranks of American diplomacy.

Appalled by Taft's policy, Roosevelt in 1910 gave his successor the benefit of his thoughts, here summarized. It was in the vital interest of the United States "to keep the Japanese out of our country" and at the same time to retain their good will. Manchuria and Korea were of vital interest to Japan. Therefore the United States should not do anything in Manchuria that might lead Japan to feel menaced by the United States.

Alignment with China, Roosevelt continued, would be for the United States a liability because of China's military helplessness. The Open Door had been and would be an excellent thing insofar as it was maintained by general diplomatic agreement. But the history of Manchuria showed that the Open Door disappeared when a powerful nation was determined to disregard it and was willing to risk

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

war in so doing. The United States could prevent Japan from acting as it pleased in Manchuria only if Washington was ready to go to war. And to succeed in such a war would take "a fleet as good as that of England plus an army as good as that of Germany."

But Taft did not think that Tokyo would go to war over Dollar Diplomacy in Manchuria. In this he was right, for the awkward reason that his Manchuria policy was a fiasco and it was hardly necessary for Japan to move a muscle.

Japan had adjusted to the shock of racial discrimination in the United States and drawn therefrom certain strategic conclusions. Now Taft, whom the Japanese had considered to be friendly, who had negotiated for Roosevelt a sphere of influence agreement with the Japanese government, was trying to undermine Japan's position in Manchuria and was generally displaying anti-Japanese and pro-Chinese attitudes. Why this change when American trade with Japan, in contrast to that with China, was growing? Why this irrational American partiality for China? The Japanese concluded that with the evident increase of American ill-will toward them they must redouble their efforts to gain strength from the continent.

VIII

Woodrow Wilson's intervention in Siberia was the first American military interference in a Communist revolution swollen into a civil war. It was not an auspicious beginning to such undertakings.

The origins of this misbegotten enterprise stemmed from Russia's withdrawal from World War I and the consequent redeployment of large bodies of German troops to the western front. The British and French pled with Wilson to renew hostilities in the East, but he believed that this would be a misapplication of American resources. Persistent Allied entreaties overcame Wilson's better judgment and the advice of his chief of staff. In July 1918 he invited Japan to join in dispatching not more than 7,000 troops each to Siberia.

Wilson's ostensible reason for sending an American expeditionary force to a civil war zone in the depths of Asia, thousands of miles from the nearest conceivable front against the Germans, was to facilitate the consolidation of two groups of Czechs, released prisoners of war, at large somewhere in Siberia. The President wanted the Czechs to "get into successful cooperation with their Slavic kinsmen and to steady any efforts at self-government or self-defense in which the Russians themselves may be willing to accept assistance." Which of the several warring factions of Slavic kinsmen Wilson had in mind is not clear. In addition to troops, he proposed sending a commission composed of merchants, agronomists, labor advisers, Red Cross representatives and YMCA "agents." They would extend an American helping hand to the troubled Russians.

This scatterbrained performance by Wilson obviously could not satisfy the Allies. But those powerful Japanese who wished to set up a puppet regime in eastern Siberia to protect extensive Japanese economic interests there welcomed the invitation to intervene.

The unfortunate commander of the American contingent, Major General William S. Graves, was given as his directive a copy of an American aide-mémoire circulated to Allied governments in which it was emphasized that the American government could not take part in nor sanction in principle military intervention in Russia. Thus enlightened, the steadfast General Graves left for Vladivostok to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

intervene without intervening. One day before he arrived, the two groups of wandering Czechs met and promptly joined those of their Slavic kinsmen who were fighting their Bolshevik Slavic kinsmen. This disposed of the main reason for the general's expedition. Before long it became apparent that the Japanese had injected into Siberia a force not of 7,000 but 72,000.

For a year and a half, until the Americans were withdrawn, Graves struggled to keep his forces from becoming embroiled with the Bolsheviks, the various shades of Whites, and his allies, the Japanese. That he succeeded was in nowise due to support from the French, the British or the Department of State. To the contrary, they urged that he intervene actively against the Bolsheviks and when he demurred on the grounds of his directive, they tried to have him replaced.

Wilson's Russian intervention not only did not accomplish the farcical objective that he set for it, it did not prevent the Japanese from intervening in large numbers and remaining long after the Americans had gone. It did not and could not have affected the ultimate outcome of the Russian civil war. But it did entail real risks of serious American involvement in that war, which could not have benefited the United States in any way.

The Bolsheviks represented the American-Japanese intervention as, of course, a typical imperialist attempt to crush the just uprising of Russian workers and peasants. This was a convenient propaganda theme, not only in attracting domestic sympathy but also in supporting Communist claims for accuracy of historical interpretation.

From the strategic point of view, Lenin was much interested in the bad blood between the Americans and Japanese in Siberia. Regarding the hostility between the United States and Japan he said, "The practical task of Communist policy is to take advantage of this hostility and to incite one against the other. . . . We have already set Japan and America at loggerheads, to put it crudely, and have thereby gained an advantage."

This would have had a familiar ring to Theodore Roosevelt.

IX

In the triangular relationship of the United States, Japan and China from World War I to Pearl Harbor, Japan was, with few exceptions, the actor, China the acted upon. And the United States was the self-appointed referee who judged by subjective rules and called fouls without penalties, until just before the end of the contest. This provoked the actor into a suicidal attempt to kill the referee.

Japan's aggressiveness in this 1914–1941 period began with the seizure of the German concession, and more, in Shantung, then intervention in the Russian Revolution—in acrimonious collaboration with the United States—occupation of parts of Siberia and the Maritime Province, the conquest of Manchuria, the invasion of China, the occupation of Indochina through coercion of Vichy, and the attack on Pearl Harbor.

Americans had—and still have—difficulty in understanding the intensity and breadth of the fatal Japanese compulsion to empire and, ultimately, Co-Prosperity Sphere. By the late 1930s the Japanese were in a frame of mind that was at once exalted and desperate. The reasons for this were diverse and cumulative.

With the Meiji Restoration the Japanese concluded that their scant, shaggy, green mystic islands could no longer accommodate their growing numbers, accomplishments and ambitions. They sought living space through peaceful em-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

igration to the United States, as Europeans were doing. But they were repulsed, with insults, because of their race. These wounds of pride, repeatedly inflicted, rankled deeply and long.

The Japanese assumed that they had as much need and right to extend their domain as Britain, France and the Netherlands had, and surely more than the sprawling United States and Russia, each so bountifully endowed. The Americans had welcomed the first Japanese ventures in imperialism. Then the Americans had inexplicably taken the side of the Chinese. Next, the Americans and the Soviet Russians declared that imperialism was evil and that Japan must not encroach on China. The Japanese took this moralizing to be hostile—and hypocritical, considering the record of the two proctors.

Russia, the Eurasian giant, had begun as the Duchy of Muscovy and then by Slavic subjugation of Tatars, Torguts, Buryats, Kazakhs, Uzbeks, Yakuts and many other non-Russian peoples made itself an empire extending from Europe across the width of Asia. Yet this was not enough for the Russians. So they contested with Japan for China—until they Bolshevized themselves. Whereupon they denounced Japan for being imperialist, while plotting to subvert the Japanese.

As for the Americans, the land they occupied had been inhabited by redskinned people until small bands of Europeans invaded it, were reinforced by multitudes of their kind, and then by subjugation of Mohicans, Iroquois, Cherokees, Sioux, Paiutes and many other non-Europeans—and importation of black slaves from Africa—made for themselves a white empire extending across the width of North America. Yet this was not enough for the white Americans. So they took, among other places, the Philippines.

And now in the 1930s, Russia and the United States, these two glutted powers, were telling Japan that it could not overrun a backward and bandit-ridden Manchuria and open it up with railroads and industry as Russia had done in its subjugated areas of Central Asia and Siberia, and the United States in its great Southwest, an area taken not only from Indian tribes but also from Mexico. Furthermore, why was it acceptable for the Americans to maneuver the detachment of a part of Colombia to create the state of Panama and immoral for Japan to detach Manchuria from China to create Manchukuo?

If Americans had deemed it laudable to pursue their Manifest Destiny, could the Japanese rightly be denied the same? If Britain nobly bore the white man's burden in India, was Japan not entitled to carry high the yellow man's burden in China—to perform, as the French were pleased to put it, their civilizing mission, if necessary doing so by force? If the Americans were justified in imposing a Monroe Doctrine in the Western Hemisphere and in assuming the role of patron of a Pan-American system, might not Japan do the same in East Asia and for Pan-Asianism—the Greater East Asia Co-Prosperity Sphere?

To such questions the sated powers answered: "Ah, but the time for empire-building has passed. We have put that behind us, and you must, too. We are now all pledged to self-determination."

The Japanese concluded in the 1930s that the Americans were consummate hypocrites and that out of sheer malice and illogical partiality to China they were determined to deny Japan its rightful fulfillment. They reacted to the moralistic and legalistic admonitions of the two Secretaries of State of that decade, Henry Stimson and Cordell Hull, with angry contempt. They had discovered that Washington would not follow strong language with corresponding action, even when the imperial army sank an American warship, the U.S.S. *Panay*. Americans

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

were bluffers, Tokyo assumed, and not to be taken seriously.

Haunted by the insufficiencies of their home islands, bitterly resentful over racial discrimination by Americans, apprehensive over the ultimate intentions of the Soviet Union and the United States, infuriated by American efforts to frustrate their expansion into China, and exhilarated by fervent national pride, native dynamism, a sense of crisis and a conviction of divine destiny, the Japanese in the late 1930s were psychologically ready for the fateful plunge southward—and into war with the United States.

The war in Europe provided the final impetus for the southward advance. The German conquest of France and the Netherlands left Indochina and the Netherland East Indies temptingly exposed. Germany's assault on the Soviet Union then removed the threat to Japan's western flank, a major restraint on a southward thrust.

Washington placed gradual restrictions on the sale to Japan of petroleum and iron products, culminating in the freezing of Japanese assets. The Dutch closed down on the sale of Sumatran oil. These actions imposed a time limit on Tokyo. Deprived of its traditional sources of oil and with its reserves steadily declining, Tokyo calculated that it had until November to negotiate acceptable terms for the resumption of American and Indies oil supply. If these peaceful overtures did not succeed by late November, then Japan must irrupt southward to the oil and other strategic raw materials of Southeast Asia.

American-Japanese negotiations, muddied by misunderstandings, failed. Tokyo would not accept Washington's position that the undefeated Japanese army in China should, in effect, withdraw and return to its pre-1931 barracks. The Japanese government took this as an insulting and wholly unacceptable ultimatum. So the war plan for Southeast Asia—in part shrewd, in part wishful thinking—was put into effect. This was done not with high hopes, but with desperate, fatalistic determination. The indomitable warrior spirit of the Japanese fighting men must overcome the material odds against Japan.

The war plan called for action to neutralize the eastern flank of the southward offensive with an attack on Pearl Harbor, which was duly executed.

X

For China, with its 400 million, its inveterate miseries, and its repetitious history of conquering and being conquered, the period of 1914–1941 was one of unique tribulation.

The Manchu Dynasty had been overthrown in 1912 by a republican revolution and the so-called republic that followed was soon fragmented by contending warlords. Fighting, disorder, banditry and multiple extortions plagued the people. In 1926 a Nationalist-Communist coalition began a war to exterminate the warlords but got only part way when in 1927 the Nationalists attempted to exterminate the Communists. They fought one another, and occasional warlords, intermittently for the rest of this period. Meanwhile, the Japanese began the subjugation of Manchuria in 1931, and six years later started a major war against China that by 1941 had wreaked havoc over large areas of that country.

The dominant development in this tortured period was the rise of Chinese nationalism, a broad new cultural and political consciousness. It grew out of the intellectual ferment created by the new generation of Chinese scholars, by radical ideas coming out of post-World War I Europe, Wilsonianism, the Russian Revolution and Japanese aggression.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The erratic Sun Yat-sen and his Kuomintang, although denied tangible power by the warlords, nevertheless regarded themselves as the custodians of the political phase of Chinese nationalism. But by 1921, with the founding of the Chinese Communist Party, they had the beginning of competition. This was converted to opportunistic KMT-CCP collaboration when Sun, having been refused aid by the United States and other Western nations, negotiated in 1923 an aid deal with a newly arrived Soviet envoy.

Because the Kremlin's objective was to further a bourgeois national revolution directed against imperialism, the infant CCP was advised by the Comintern that the KMT was to take the lead in the anti-imperialist movement. Meanwhile the KMT set out to reorganize itself along the lines of the Soviet Communist Party. And Moscow sent political and military advisers and arms to Sun's Nationalist regime at Canton.

Following Sun's death in 1925, Chiang Kai-shek seized power in the Nationalist camp and, against the counsel of his Soviet advisers to proceed more cautiously, launched a northward offensive to eliminate warlords and imperialists and unify the country. The Nationalist-Communist coalition reached Wuhan on the Yangtze in a few months and Shanghai in the spring of 1927. There Chiang turned on the Communists and liquidated several hundred of them, all he could lay hands on. He then established a Nationalist government at Nanking.

The American and other western governments had up to this time viewed Chiang and his Nationalists as dangerous Reds. Certainly, some of Chiang's 1926 rhetoric was worthy of a Comintern agitator. And some of his troops wantonly killed Americans in Nanking. But his Shanghai behavior—purge of Communists, overtures to the economic establishment and renewal of old connections with the institutionalized underworld—was reassuring. Chiang became respectable and before long was on the way to the status accorded to him after 1941 by President Franklin D. Roosevelt—one of the four superstar statesmen.

Weakened by Chiang's attacks, Communist membership declined from a claimed 58,000 in the spring of 1927 to less than 20,000 by winter. Nevertheless, small military detachments led by Mao Tse-tung, Chu Teh and others created a base area and local government in a mountainous district of Kiangsi in Central China. There, and at several smaller bases, the Communists built up their military forces to a total of about 300,000.

Chiang did not react militarily to the Japanese takeover of Manchuria. Rather, he concentrated on his internal enemy, the Communists. The Kiangsi Communists withstood repeated Nationalist offensives until 1934, when a Nationalist force of nearly a million compelled them to retreat, about 100,000 in all, on the epic Long March of some 6,000 miles. Only about 8,000, headed by Mao, arrived a year later in the barren loess hills of Shensi, in Northwest China, where they established a new base area with Yenan, a dreary little town, as their capital. Communist stragglers from other areas joined the Long March survivors, bringing in late 1936 the total Red Army strength to no more than 30,000.

During the Long March, at Tsunyi in January 1935, Mao gained control of the Politburo from the "Twenty-eight Bolsheviks," whose leaders had dominated the Party. Members of the "Twenty-eight Bolsheviks" faction had been Moscow-trained and were responsive to Comintern direction. From Tsunyi onward Mao's supremacy in the Party was not challenged.

Tsunyi was a defeat for Stalin of historic proportions. It exceeded Chiang's double-crossing him—which had been embarrassing; Trotsky had ridiculed him

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for being taken in by Chiang. But he could and subsequently did work with the Generalissimo, as a counter-revolutionary, on a practical basis. Mao's ousting of Moscow's proconsuls was, however, flagrant insubordination within Party ranks. And Mao, who had previously been reprimanded by the Comintern for going his own way, would continue on an impermissibly independent course, thus challenging the infallibility of the Kremlin, its pretensions to being the only source of Communist truth and authority. For Stalin in the late 1930s, Chiang was an opponent, but Mao was an arrogator, a potential competitor.

The Generalissimo was in Sian in December 1936 spurring his forces to greater efforts against the Communists when generals, who demanded that he fight the Japanese rather than other Chinese, kidnapped him. Communist representatives intervened and in the ensuing negotiations agreement for the release of Chiang was reached under conditions that led to a Nationalist-Communist United Front against Japanese aggression.

This was enthusiastically greeted by the Chinese people, who had been critical of Chiang's passivity since the invasion of Manchuria. The Kremlin also had cause for satisfaction, for the rapprochement in China was in line with its 1935 call for united fronts against Nazi Germany and Japan. Americans applauded the appearance of unity and praised Chiang as a pious Christian leader of his people. But Chiang, Mao and their respective collaborators knew that the United Front was no more than a front behind which the struggle begun in 1927 would continue.

The upsurge of nationalism and anti-Japanese feeling engendered in China by the United Front coincided with a trend in Tokyo toward a less aggressive, even conciliatory, policy toward China. The imperial army general staff was alarmed in 1936 by the growth in size and pugnacity of Soviet forces along the Manchurian frontiers. It therefore wanted to reduce rather than augment Japanese military commitments in China.

But a minor incident between small Chinese and Japanese units near Peking on July 7, 1937, after initial settlement, flashed out of control and into a major war that was to last more than eight years, cause countless deaths and end in the prostration of both countries.

China's policy in this conflict was simple: to trade space for time, while awaiting a war between Japan and the United States, which Chiang and his entourage assumed to be inevitable. When that war occurred, China would be relieved of Japanese pressure and both partners of the United Front could then occupy themselves with preparations for a fight to the death for possession of the Chinese people.

XI

Throughout this 1914–1941 period of wars, revolutions and a worldwide economic depression, the American Secretaries of State were lawyers, and of high principles. Their professional world, whether in the practice of law, on the bench, or in national politics, had been ordered by laws and contracts reliably upheld by an elaborate structure of courts, bailiffs, sheriffs, marshals, police and, if necessary the national guard and even the army. This background was poor preparation for the anarchy of international relations. It was small wonder that the secretaries of this period, like Hay and Knox before them, inclined to legalistic interpretations and solutions and the enunciation of universal principles.

Charles E. Hughes was on solid ground, however, in negotiating the Washington Conference treaties on naval limitation and insular possessions in the Pacific,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

because the texts rested on substantial agreement among the signatories. These 1922 treaties marked a genuine American-Japanese détente lasting until Congress passed in 1924 Japanese exclusion legislation. The Nine Power Treaty was another matter. It was meant by Hughes to enshrine in international law the American obsession with verbal defense of China. It was not built on solid underlying agreement and so, for the Americans, was an exercise in self-deception.

The unilateral pronouncement of non-recognition was another legalistic device of dubious worth. When in 1915 Japan presented its Twenty-one Demands to China, William Jennings Bryan declared that the United States would not recognize any agreement infringing American treaty rights, Chinese sovereignty or the Open Door. Stimson made the same hollow response to Japan's conquest of Manchuria, buttressing his case with invocation of the Nine Power Treaty and his predecessor's Kellogg Pact outlawing war, an emanation of legal ectoplasm. Cordell Hull, a Wilsonian moralist, conducted American foreign policy on the proclaimed basis of a catalogue of Utopian platitudes.

The legalistic-moralistic cast of mind was but one factor influencing the formulation of policy. Isolationism, the Great Depression, and pacifism were others. So was the influence of Pearl Buck (Chinese are like lovable characters out of the Old Testament), *Time* and *Life*, missionaries and pro-Chinese propagandists.

All of this added up to a national attitude of increasing sympathy for China and dislike of Japan as the villain, but a determination not to become involved in their conflict. At the same time, because of Washington's stern verbal support of China, Americans thought of themselves as champions of China, even as American companies supplied Japan with oil and scrap metal for its war against China. As Americans became aware of this and called for embargoes, they compensated for a subconscious sense of guilt by inflating the supposed virtues of the Chinese to heroic proportions. The preposterous overrating of the Chinese was bound to, and did, in the mid-1940s end in disillusion—also unbalanced.

XII

Franklin D. Roosevelt and Cordell Hull did not view war as a continuation of politics by other methods. War aims were one thing: absolute, non-negotiable, and charged with righteous wrath—"total victory," "unconditional surrender," extirpation of militarism, destruction of "philosophies . . . based on conquest," and no "compromise between good and evil." Postwar aims were in a separate category: conditional, negotiable, but also charged with perfectionism—"building human freedom and Christian morality," great power solidarity, collective security, creation of a united nations organization so that "the rule of law cannot be successfully challenged."

Japan's attack on British and Dutch possessions in East Asia and Hitler's foolish declaration of war on the United States linked the wars in Asia and Europe. As Japan's attack on the United States was secondary to its main objective, Southeast Asia, so Washington's reaction in the Pacific was second in priority to the prosecution of war against Germany. The strategically sound decision to concentrate first on Europe was not widely welcomed in the United States because the public wanted the quickest revenge for Pearl Harbor.

The Casablanca demand for unconditional surrender, inspired and enunciated by Roosevelt, eliminated the possibility of negotiated capitulations of Japan and Germany, thus ensuring the prolongation of the war and the creation of power vacuums in East Asia and Central Europe. A fortnight before the announcement,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Joint Chiefs of Staff had been advised of the President's intention to demand unconditional surrender, but did not even study the implications of this crucial act.

Later in 1943, at Cairo, Roosevelt and Churchill, with FDR in the lead, as usual in matters affecting China, proclaimed that Japan would be stripped of its outlying possessions. Manchuria and Formosa would be "restored" to China. This was done largely to mollify a disgruntled Chiang. There appears to have been no thought that it might have been prudent to delay until a peace conference the disposition of at least Formosa.

As the American sea and air offensives drove the Japanese back close to their home islands, some American officials began to have second thoughts about the wisdom of unconditional surrender. Should not the Japanese people be reassured that after surrender they might have an orderly life and keep their revered institution of the Emperor? After all, only the Emperor could order the armed forces to surrender.

The President, by then Harry S Truman, refused in the spring and summer of 1945 to offer any inducement to surrender involving concessions regarding the imperial institution. Meanwhile Tokyo was sending out peace feelers to Moscow, asking for its mediation with Washington, and offering Manchukuo and Sakhalin in exchange for Soviet neutrality.

Through intercepts and from Stalin, Truman was aware of Tokyo's desire for negotiations but neither he nor Stalin responded to the overtures.

In the Potsdam Proclamation, Truman and Churchill held out some hope of a government which would be "established in accordance with the freely expressed will of the Japanese people." But nothing was said about the Emperor. The proclamation closed with the warning that if all the Japanese armed forces did not surrender unconditionally, "the alternative for Japan is prompt and utter destruction." This was on July 26, 1945. The Japanese did not surrender unconditionally.

On August 6 the United States visited prompt and utter destruction on Hiroshima. And then on Nagasaki. Tokyo broadcast on August 10 its readiness to accept the Potsdam ultimatum provided that the Emperor's prerogatives as sovereign were not prejudiced. Washington declared the next day that the Emperor's authority would be subject to the allied supreme commander. As it turned out, MacArthur and Hirohito were an effective governing combination—the Shogun and the Mikado.

XIII

China, in the view of the American people, was transformed by Pearl Harbor into a gallant ally, battered but still eager to fight and lacking only American arms and guidance to smite mightily the common foe. Roosevelt, who had a willow pattern tea house impression of China derived from family lore about ancestors in the old China trade, initially shared the popular fancy about a Chinese passion to fight Japanese. Later, disillusioned, he nevertheless believed it essential to "keep China in the war." China's greater importance in Roosevelt's grand strategy was in the postwar world where China would take the place of Japan as the leading oriental power, but a friendly one collaborating with the United States, Britain and the Soviet Union to create a better world.

Pearl Harbor transformed Sino-American relations for Chiang. He had waited a long time for war between the United States (also the Soviet Union) and Japan. Now the Americans would take over the burden of fighting Japanese and he

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

would concentrate on preparing for the inevitable postwar fight to the death against the Communists. He would, of course, stay in the war against Japan to obtain American matériel, and for the same reason even bear with disruptive American military advice and meddling—but only up to a certain point. His exaltation by FDR to the bizarre brotherhood of The Big Four gave Chiang face, as did being consulted by the busy Americans about postwar dispositions.

Postwar dispositions in China were being worked out then in the countryside behind the Japanese lines. In the most developed part of the nation Chiang had lost the cities and lines of communications to the invaders, and the rural areas to the Communists. The Communists were growing in numerical and organizational strength, preparing for the showdown with Chiang and his Nationalists.

The likelihood of civil war following the defeat of Japan, the dynamic Communist expansion, the uncertainty of a Nationalist victory in a civil war, the incalculable costs of American intervention, and the probability that a civil war would reverse the Communist trend toward nationalism to one of dependence on the Soviet Union—all these considerations, and more, were presented by American officials in China to the State Department and the White House beginning in 1943. In August 1944, Mao indicated to an American official a desire to establish a Commuist working relationship with the United States during and after the war. Washington did not react. By late 1944 the question arose among American officials whether the Communists were already predictably the victors in the oncoming civil war, and if so whether the American government should, while continuing recognition of Chiang, begin to deal directly with the Communists as the de facto authority in the areas controlled by them and as the probable future rulers of all China.

Ambassador Patrick J. Hurley hotly opposed direct relations with the Communists. He had committed himself in a highly personal fashion to the creation of a coalition in which the Communists would submit to the supremacy of Chiang. This was where the Communists had come in, in 1927, and they did not take to the suggestion. After meeting with an emaciated Roosevelt, only a few weeks from death, Hurley declared that American policy was to support only Chiang and the Nationalists.

Although most of the career officials dealing with China favored a more flexible policy, Hurley overrode all dissent and forbade reporting to Washington anything critical of the Nationalists. He received Truman's backing for what the Ambassador represented as Roosevelt's directive. And as accepted policy, like a rut in a country road, is easier to bump along in than break out of, the American government continued to sustain Chiang on into the post-surrender period.

This meant American intervention on behalf of Chiang in the conflict between the Nationalists and Communists. American aircraft and ships lifted half a million Nationalist troops to Japanese-occupied China and Manchuria where they fanned out to fight the Communists, while American marines in North China, allied with surrendered Japanese, obligingly held cities and railways for the Nationalists.

When Hurley resigned in high dudgeon, alleging that certain foreign service officers had undone his efforts to unify China peacefully, Truman dispatched General George C. Marshall to China to mediate between Chiang and Mao. This was a doomed mission: the two sides were bound to fight it out. The American involvement in China, already reduced by November 1946 when the marines were

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

withdrawn, was cut to nominal aid after Marshall left in January 1947 to become Secretary of State.

The Nationalists had a roughly three-to-one advantage over the Communists in troop strength. And only they had an air force, navy and arsenals. Yet by the end of 1949 the Communists had utterly routed the Nationalists. Simply stated, the explanation was, on the Nationalists' part, incompetent and corrupt leadership, degeneration of overextended fighting forces and alienation of popular support. On the part of the Communists it was able politico-military leadership, outstanding esprit de corps and élan, and active popular support.

Roosevelt, Hull and then Truman did not recognize that China was in a profound identity crisis. China did not know who it was, and until it resolved that question through the agony of violence, it could not be a coherent factor in international life. Thus Chiang was not China, as romantically imagined by Americans, but only one of China's multiple personalities. And by 1943 it appeared that he might well be a fading one.

In these circumstances the American leaders were, at best, mistaken and the American people bamboozled into thinking that China could be a significant force in the war against Japan, that it shared American objectives and dreams of the future and that, along with Stalin's Russia, it would maintain with Britain and the United States great power solidarity in preserving peace under law.

For at least a year before intervention it had been evident that a policy of sustaining Chiang in a civil war would fail and, worse, envenom relations with the victors as it drove them into reliance on the Soviet Union. This is what happened, even though Truman withdrew from intervention relatively early in the conflict. But the damage had been done. China had, through its conquest by the Communists, found its identity, in part through enmity to the United States.

The American reaction to the Communist takeover in China was shocked perplexity. A growing group of politicians, military men and publicists asserted that, obviously, China was "lost" to the United States because treacherous elements in the American government undermined Chiang and helped the Communists win. This counterfeit revelation received surprisingly wide credence, especially after the 1950 Chinese intervention in the Korean War. It became part of a vicious larger attack on the integrity of civil servants lasting until 1955, in which Senator Joseph McCarthy was the most prominent defamer. The damage done to the conduct of American foreign policy by these assaults was long-lasting.

It was in the nature of Soviet-Japanese relations that Stalin, once he had defeated the Germans and could methodically deploy sufficient forces in Siberia and eastward, would attack Japan. Roosevelt sought assurances from Stalin that he would indeed do this. These superfluous pleas were presumably because the American Army wanted the Soviet Army to take on the formidable Japanese forces in Manchuria. MacArthur expressed a hope that the Russians would commit no less than 60 divisions.

Without consulting China, Roosevelt volunteered at Yalta to reward Stalin for doing what that sly Georgian intended to do anyway: take back "the former rights of Russia violated by the treacherous attack of Japan in 1904"—territories and railways. For the Japanese it was to be a case of one Roosevelt giveth and the other taketh away. In extenuation of FDR's cavalier treatment of other people's real property, it may be said that the terms he negotiated with Stalin were more modest than those which Stalin could have easily imposed during hostilities against Japan. On the other hand, Roosevelt had by his signature, in a sense,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

legalized the forthcoming Soviet acquisitions.

The Soviet Union invaded Manchuria on August 8, two days before Japan offered to surrender. It shipped the Japanese prisoners of war and anything movable of value, including factories, to Siberia. Captured light arms were left for the Chinese Communists, infiltrating from North China, to pick up as a grub stake. But during its stay in Manchuria the Soviet Army treated correctly and contemptuously with Nationalist officials as the representatives of China.

The Soviet Union emerged from its momentary war against Japan as the owner of southern Sakhalin and the Kurile chain, a welcome breach in the island blockade of the Soviet Far East. Both acquisitions were countersigned by Roosevelt at Yalta. The Soviet Army occupied northern Korea and Manchuria, the former to become a satellite, the latter a sphere of influence through rights granted at Yalta and confirmed by Chiang. The Kremlin objective in China was to balance Chiang and the Communists against one another so as to prevent either from gaining supremacy over all China.

XIV

Surrender transformed Japan from a center of power into a power vacuum. By occupation, the United States immediately filled the vacuum on the Japanese home islands, denying a Soviet request for a zone on Hokkaido. With Japan eliminated, the United States and the Soviet Union were face to face in East Asia.

The American passion for reform found an ideal field for expression in Japan. Here were a people who had been led terribly astray. Prostrate in defeat and occupied by a conquering army, they were inescapably available.

The man who dedicated himself to this mission of conversion was SCAP, the Supreme Commander for the Allied Powers, General of the Army Douglas MacArthur. He undertook to bring about a "spiritual reformation" that would introduce democratic and Christian values into Japan. First came demilitarization, then the breakup of conglomerates, trusts and monopolies, land reform, creation of labor unions and institution of parliamentary democracy. In retrospect, the reformation was a success, in no small part because the Japanese were ready for the changes, which were often enough a logical development of trends that were incipient before the country went onto a war footing.

With the onset of the cold war and Communist gains in China, occupation policy shifted steadily from reform to rehabilitation of Japan, from that of a jailer to monitor, to instructor, to counselor, to patron, to ally. SCAP had induced the Japanese to include in their 1947 constitution renunciation of the right to resort to war and of land, sea, and air forces. Less than four years later, in negotiating the peace treaty signed in 1951, John Foster Dulles recommended a Japanese army of 350,000. Prime Minister Yoshida firmly declined the invitation.

Japan has since established land, sea and air self-defense forces, currently totaling something over 200,000 volunteers. But its security against large-scale external attack still depends on American treaty guarantees. Washington's assumption of major defense responsibilities and costs has, over the past quarter century, contributed greatly to Japan's extraordinary economic recovery and then expansion. Japan has exceeded MacArthur's fondest hopes—that it become the Switzerland of the Pacific.

XV

As the Chinese Communists completed their takeover of mainland China,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Truman and his Secretary of State, Dean Acheson, attempted to distance the United States from the unprofitable entanglements of East Asia. The President announced in January 1950 that the United States wanted no part of the Chinese civil war and had no interest in Formosa. Daring the fury of the China Lobby, Acheson then publicly explained that the wise American policy toward China was to remain aloof and permit the natural force of Chinese nationalism to combat Soviet attempts to dominate China. He also paraphrased a published statement by MacArthur (and a decision of the Joint Chiefs of Staff) defining the American defensive perimeter in East Asia, which omitted the Republic of Korea and Formosa.

Thus American policy toward East Asia was perceptibly moving toward disengagement when in June 1950, Stalin's North Korean creature, Kim Il Sung, invaded South Korea. The disruptive effect was worldwide. But first, why would Stalin—for it is inconceivable that he did not have foreknowledge of the invasion—give his assent to, if he did not actually direct, the aggression?

The normally cautious Stalin presumably thought that this was a low-risk operation. The Americans had withdrawn their combat troops from Korea, leaving lightly armed Korean forces to whom they had denied tanks and anti-tank weapons. We know that political unrest existed in South Korea; how this was represented to Stalin by his intelligence sources we can only guess. The MacArthur and Acheson omissions of South Korea from definitions of the American defense line must have been noted. But would they have been given any more weight than the 1949–50 congressional cuts in appropriations for South Korea?

Furthermore, the campaign should be brief. The North Korean Army was far superior in experience and offensive arms to the South Korean force. It also possessed the element of surprise and should be able to overrun the South in short order in what would be represented as a civil war, liberating the southerners. It would be all over before the Americans could react.

The gain from this operation would be Soviet control of the Korean peninsula, thus denying the Americans, and an eventually revanchist Japan, lodgment on the strategic invasion corridor to the Soviet Far East and Manchuria. Additional gains might be distraction of American attention from Europe to Asia and a humiliation of the Americans. But Stalin, like other dictators, had not counted on the unpredictability of a democracy. He had blundered in Korea, but in the process had, intentionally or not, set the Americans and Chinese at loggerheads for two decades.

Truman and Acheson briskly committed the United States to the defense of the Republic of Korea. They made constructive use of the United Nations to involve other nations in repulsing aggression. And on the peninsula, South Koreans, reinforced by Americans, stemmed the enemy advance.

Concerned lest the North Korean attack be a symptom of Moscow's or Peking's intention to act aggressively elsewhere, Washington interposed the Seventh Fleet in the strait between Formosa and the mainland. To Peking this indicated that the Americans were again intervening in the internal Chinese conflict. And like Washington, Peking wondered where the next hostile move would occur.

Following a successful counteroffensive restoring the pre-invasion boundary at the 38th parallel, MacArthur advanced into North Korea. He did so in disregard of Chinese warnings. As his forces approached the Manchurian border, Chinese "volunteers" crossed en masse into Korea, converged on the dispersed American columns and drove them back deep into South Korea.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Communist China was now the enemy. MacArthur and many of like mind clamored to take the war to Manchuria and the rest of China. But Truman, the Joint Chiefs of Staff and Acheson held fast to keeping the war limited to Korea and a restoration of the pre-invasion situation. After MacArthur had appealed to the American people over the head of the President and Truman had relieved him of his command, the Korean War was brought under control and, in effect, to a conclusion. As a legacy, Americans and Chinese hated one another as they never had before. So perhaps Stalin did not do so badly after all.

XVI

In turning to Southeast Asia, the first thing to be said is that the American venture in an Asian empire lasted less than 50 years. Giving the Philippines back to the Filipinos in 1946 did not, however, get the United States out of Southeast Asia.

The American descent into the Southeast Asian maelstrom began in World War II. Roosevelt thought that Indochina should not be returned to France, but placed under trusteeship. He then agreed, on military grounds, to the inclusion of southern Indochina in Lord Mountbatten's theater of operations. When the Japanese surrendered, Mountbatten naturally brought in French troops to occupy Indochina.

At the same time, Ho Chi Minh formed a revolutionary nationalist regime in the North and, like Mao, sought to establish relations with the United States. Like Mao, he was snubbed. So Washington turned down another winner and went with another loser.

The French attempt to reimpose colonial rule dragged on to ignominious defeat in 1954 at Dien Bien Phu. Ho and company accepted an internationally arranged compromise: a Communist North Vietnam and a neo-mandarin South. And John Foster Dulles, then Secretary of State, managed to get the Eisenhower Administration just a little bit pregnant with Indochina. From then on, for 21 years, from 1954 to 1975, five successive Administrations thrashed about in the noxious, growing involvement. Communist victories finally facilitated a decision by Washington to terminate the grotesque intervention in Indochina.

What possessed Americans to become entangled in Indochina? One reason was the ready availability of redundant American military might anywhere in the western Pacific, and an accompanying belief in the persuasiveness of firepower as an instrument of foreign policy. Another reason was a Washington conviction, lasting some time after the Moscow-Peking split, that China and North Vietnam were integral parts of a monolithic international communism slavishly obedient to the Kremlin. Once Washington grasped the reality of the Sino-Soviet split, it feared China alone as ideologically militant and nationalistically expansive. Related to this was the domino theory, that if Hanoi, backed by Peking, were to take South Vietnam, there would be no end to it—Thailand would be next, then Singapore and so on to Tasmania and the Golden Gate. To prevent its infinite spread, communism had to be stopped wherever it appeared beyond its frontiers. A subjective reason for entanglement in Indochina was a lesson from the Truman experience with China—to "lose" a country to communism was, for the incumbent political party, to lose the American electorate.

The more important lesson from the China debacle was that, with all of its material might and know-how, the United States could not make good the organic deficiencies of leadership and collective will in a foreign country. This lesson was

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not applied to Indochina. A third lesson derived from China was that a Communist regime with a strongly nationalist character will resist attempts by another Communist state to encroach on its interests. What Moscow was to Peking, Peking potentially was to Hanoi. So if southward expansion by Peking was the major American concern, Hanoi was likely to be more effective in containing it than any of the regimes that bloomed in Saigon.

XVII

MacArthur's intrusion deep into North Korea not only brought China to war against the United States, it consequently pushed Peking into greater dependence on Moscow and stimulated the Soviet Union to expand its aid to China. The Kremlin continued after the war to help the Chinese build up an industrial base, but with growing misgivings. For Mao badgered the Russians to fulfill their revolutionary obligations, to intensify struggle against the Americans, even risking nuclear war.

Pointing to the sunny side of a nuclear holocaust, Mao in 1957 assured the Soviets that while half of mankind might die in such an encounter, happily imperialism would be eradicated and "the whole world would become socialist." The Russians did not accept this Chinese shortcut to a socialist world—and their being counted among the missing half of mankind, with you know who surviving. The Kremlin reckoned that the "correlation of forces" did not warrant a forward strategy and therefore held to peaceful coexistence.

Distrustful of the Chinese, Moscow increasingly held back economic and military support and Peking in return heightened its ideological abuse of the Soviet Union. By 1960 the split was open for all to see. Peking subsequently represented itself as the only center of Communist orthodoxy, invited the allegiance of the Soviet people and foreign Communist parties, and identified Soviet revisionism as an enemy ranking with American imperialism. It laid irredentist claim to half a million square miles of Soviet territory. And Chinese and Soviet troops engaged in spirited exchanges of border clashes.

Mao was multifaceted: pragmatic, shrewd, poetic and exorbitant. His attitude toward nuclear war was a manifestation of Mao's extravagance. So in domestic policy were two of his mass campaigns: the Great Leap Forward and the Cultural Revolution. Although ideologically articulated, both served Mao's purpose of attacking those domestically challenging his supremacy. He downed his challengers but gravely weakened his country.

Internal disruption and indifferent response from foreign Communists to the Chinese rallying cry added up to a frail self-reliance. This was late in the 1960s a perilous state of affairs even though the danger of an American attack out of Vietnam seemed to have subsided. There remained heavily armed and growing Soviet armies on the northern frontiers—and the object lesson of Soviet invasion of Czechoslovakia. China needed a counterbalance to the Soviet Union. Pragmatically, in 1971 Mao turned to the far enemy, the United States, to offset the near enemy, the Soviet Union.

Pragmatically, Washington accepted Peking's overture. The American government in 25 years had passed from thinking in terms of Roosevelt's version of a Wilsonian community of power, to polarization of power, to monolithic power, to polycentric power, and finally to balance of power. Although older than history, balance of power is not well known to nor does it have a good name with Americans.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Furthermore, Americans have not appeared to have an aptitude for playing at the balance of power, however much its manipulation by others affects us.

Power patterns act in a variety of combinations, rather like a Calder mobile tilting and gyrating as it hangs in space. Two major elements today are America and the Soviet Union. China makes it a triangle. But Japan is there too. Interaction is four ways. With the West European complex added, the interplay becomes more complicated. Then there are special patterns of power within the larger composition: the United States—the Soviet Union—Japan—China; the Soviet Union—China—Vietnam—Cambodia, and so on. Finally, consider this chain reaction: Cambodia fears its neighbor Vietnam and so turns to China; Vietnam fears its neighbor China and so turns to the Soviet Union; China fears its neighbor the Soviet Union and so turns to the United States; the Soviet Union fears its neighbor the United States but now has nowhere to turn save to self-reliance. Whereas the United States, which fears its neighbor the Soviet Union, does have within this pattern somewhere to turn—in shared fear, to China.

Whatever Washington does about balance of power, it should forthwith establish full diplomatic relations with Peking. As for the botched business of Formosa, since the regime on the island does not claim to be secessionist, the question of Formosa's future must lie between Taipei and Peking. Taipei is in a strong enough position to negotiate persuasively for the status of a genuinely autonomous region within the People's Republic. Its mutual defense treaty with Washington is a legal anachronism and should be terminated. Washington should of course retain consular representation on Formosa.

Japan is too much taken for granted by Washington. It is by far the most important U.S. ally in East Asia, and although the unwisdom of drawing defense perimeters has been demonstrated, it is evident that Japan is definitely within that line. The United States needs high caliber, perceptive American representation in Tokyo and, asking so little for something so essential, an avoidance by any American government of gratuitous offense to the Japanese.

In the case of South Korea, so long as the United States has defense responsibilities for Japan it must regard the security of the Republic of Korea as closely related to that of Japan.

XVIII

In the final 35 years of these two centuries, American relations with East Asia culminated in three wars of extreme violence. Each spewed years of awful hate between Americans and Asians—and within American society itself.

Looking back over the past 200 years, what benefits have come to Americans from their associations across the Pacific? Riches, yes. Then, with its national heritage in North America and from Asia Minor, Europe and Africa, has American culture drawn correspondingly upon the wealth of East Asian civilizations? No, and not for reasons of quality but feelings of relevance.

Perhaps the best that has come to the United States from East Asia is not in riches, ideas or arts. Perhaps it is that which we so long resisted—Japanese and Chinese genes, as witness the roster of American Nobel laureates.

We have had the benefit of learning, or having demonstrated to us, the limits of American power and the mutability of alliances and enmities. And we may hope to have learned in China and Vietnam that in striving for intimacy with other peoples we incur responsibilities which we cannot always fulfill and which then may become destructive to ourselves and those we favor.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Charles P. Kindleberger

U.S. FOREIGN ECONOMIC POLICY, 1776–1976

It is tempting to view the evolution of U.S. foreign economic policy from 1776 to 1976 as one from isolationism to participation to leadership of the world economic system, a process now starting to show signs of reversal. In terms of the theory of private and public goods, this country for some 170 years looked after its private national interest, then spent a quarter of a century playing a leadership role, pursuing at the same time what it conceived as the public international interest, before exhausting itself and perhaps turning back exclusively to its own affairs.[1] Or, in Albert Hirschman's brilliant model of relations within social groupings, the country has moved from "exit" to "loyalty" to "voice"—first a participatory voice and then the voice of command—and may be again heading for the exit.[2]

But such themes would be too simple. The country is not a unified actor with a single set of purposes, but an amalgam of shifting interests which engage customarily in ambiguous compromises. Economic foreign policy may be global or may make distinctions among regions (North America, Europe, Latin America, Asia, Australasia and most recently Africa); among functions (trade, money, capital and aid transfers, migration, not to mention foreign growth and integration). At any one time there are complex trade-offs among various national and international interests rather than any one dominating the others. There is likely to be a high positive correlation among policies regarding different aspects of the country's economic relations with the rest of the world; nonetheless, there is no escape from detailed description and analysis.

Our interest attaches principally to the recent past. I propose first to sketch the period to World War I rapidly. Thereafter follow sections dealing separately with the 1920s, the Depression, the years following World War II through the 1960s, and then from about 1968 to the present. A brief section concludes with reflections on the prospects now facing both the United States and the world.

II

The American Revolution represented not so much a withdrawal from European and especially British life as an insistence on relating to Europe on different terms from those decreed by British decision. The Navigation Acts which determined where and how colonial shipping could be used, taxation from Whitehall, impressment of colonials as sailors in the British Navy—all were economic as well as

[1] Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups*, Cambridge: Harvard University Press, 1965.

[2] See Albert O. Hirschman, *Exit, Voice and Loyalty; Responses to Decline in Firms, Organizations and States*, Cambridge: Harvard University Press, 1970.

Charles P. Kindleberger is Professor of Economics Emeritus at the Massachusetts Institute of Technology. He is the author of *International Economics; Economic Growth in France and Britain; The World in Depression, 1929–39* and other works.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

political issues in which colonial interests were threatened by imperious decisions at a distance. The isolationism of Washington's Farewell Address (1796) and the Monroe Doctrine (1823) came later, with a revulsion against the Napoleonic Wars over more than 20 years—wars that incidentally enabled the struggling nation first to win its military independence and second to conduct its economic affairs independently.

But the nation had little in the way of a unified national interest. The Constitution of 1789 prohibited export taxation, deliberately foreclosing the possibility that central government could hurt the interests of an exporting state through taxing its output sold abroad. The idea originated not from the free trade of Adam Smith's *Wealth of Nations* of 1776 but in earlier Physiocratic doctrine, which Smith also embraced. "Laissez-faire, laissez-passer" was a French agricultural doctrine to free food for exports, as opposed to the doctrine of supply which would keep it at home for domestic consumption. The latter echoes today in embargoes on steel scrap, peeler logs, soybeans, wheat and the like.

In the absence of export taxes, federal revenues came largely from duties on imports. The Continental Congress levied a tariff of five percent "for revenue only" across the board. Debate followed almost immediately. Madison and Jefferson, from Virginia, wanted low tariffs to expand export trade through buying imports freely. Massachusetts and Pennsylvania sought protection for manufacturing. The tariff of 1789 was a moderate compromise, with five percent duties in general except for rates ranging up to 15 percent on a limited list of manufactures. Alexander Hamilton's well-known "Report on Manufactures" of 1792 did not affect the course of events.[3]

More significant was the Embargo of December 1807, precipitated by British impressment of American seamen. That Embargo, the Non-Intercourse Act of 1809, and war with England in 1812 produced substantial change in the course of economic development. War is the ultimate protective tariff. Embargo and war stimulated the cotton and woolen textile mills of New England and the iron foundries of Pennsylvania. With the restoration of peace, the tariff question became acute. It was a matter not of procreating infant industries, but of preventing infanticide. Agriculture was preoccupied with supplying Europe with grain, cotton and tobacco after the Congress of Vienna, and did not immediately resist; it began to do so after the fall of European agricultural prices, and the passage of the Corn Laws in Britain in 1819. Tariffs were raised further in 1824, but after the "tariff of abominations" of 1828 reaction set in. Early in the 1830s some duties were lowered, and in 1833 the Compromise Tariff produced a more general reduction. That this was followed by the depression of 1837—a result of the expansion of the bank credit by the Second Bank of the United States—led to the Whig, later Republican, view that tariff reductions spell depression.

In this period—and indeed until the last 40 years—the tariff was a domestic issue only. Higher duties in 1842 and reductions in 1846 and 1857 were unrelated to the free-trade movement under way in Europe. Led by Britain, which rationalized tariffs in the 1820s and 1830s before dismantling the Corn Laws and the Navigation Acts in the 1840s and freeing the export of machinery, the Continent moved to tariff reduction on a reciprocal basis during the boom of the 1850s, but especially after the Anglo-French (Cobden-Chevalier) Treaty of 1860. British leadership in

[3] Frank W. Taussig, *Tariff History of the United States,* 8th ed., New York: G. P. Putnam's Sons, 1931, p. 15.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the movement was important, as was the ideological character of certain free-trade forces under the influence of the economic doctrines of Smith, Ricardo and Mill.

Canada was sharply affected by the repeal of the Corn Laws and the Navigation Acts, and some Montrealers contemplated annexation to the United States. A less far-reaching remedy was found in reciprocal trade in natural products in a treaty of 1854. The special economic status of Canada, between the United States and Britain and having particular relations with each, remained an issue for the rest of the period.

While the United States was largely absorbed in its own affairs, many of those affairs, or those of constituent parts of the country, involved foreign economic questions. The Louisiana Purchase of 1803—financed by a loan issued in Amsterdam—riveted the attention of the Middle West briefly on Europe, from which it turned again on a heightened basis to exploration, Indians, land settlement. New York merchants and financiers, New England shipbuilders and traders, Southern planters, canal-builders and railroaders all had eyes on European markets. In transportation, the United States pioneered in fitting steam engines to ships: in the liner, or scheduled vessel that sailed each Saturday whether it had a full cargo or not, and in clipper ships. Cotton-growing in the South exploded in the 1820s and 1830s, and moved rapidly inward from the sea islands and the coastal belt to the Gulf states and across the Mississippi. New York bankers established branches in Liverpool (later moved to London) to finance the movement of staples eastward and of a wide variety of goods westward. The First Bank of the United States sold shares abroad, and the Second Bank borrowed in London on bullion.

With the rise of shipping came an upsurge of immigration, initially from Britain and Scandinavia, and after the disastrous crop failure of 1846, in a flood from Ireland and Germany. (An American myth holds that the Germans who flowed to these shores after 1848 were moved by conscience in revolt against monarchical repression and military conscription. The Carl Schurzes among the migrants, however, numbered several hundred out of hundreds of thousands.) Industrialization in Britain, Germany and Scandinavia after mid-century slowed down the flow of overcrowded peasants from these sources.

In the 1880s, however, there developed an entirely new economic interaction between the United States and Europe. Up to that time the farms of the New World had furnished largely exotic foods and materials not produced on a large scale in Europe—cotton, tobacco and sugar. But after the Civil War, the opening up of the Northwest Territories, with 40 acres and a mule for war veterans, made possible dramatic increases in grain production, while newly constructed railroads and iron-clad, steam-powered, screw-propeller ships became available to move the grain to Europe. Along with similarly stimulated supplies from Canada, Australia, Argentina and the Ukraine, the new flow led to a drastic fall in the price of wheat in Europe, and uprooted a vast army of peasants and landless workers in Southern and Southeastern Europe—who poured into the steerage holds of ships bound for Ellis Island and New York.

Limitation of immigration of "undesirables," including the ill, convicts, and Oriental "slave labor," had been undertaken in the United States in 1862 and 1875. In 1885 an attempt was made to stem the flow from Europe through a ban on contract labor. There was, however, no stopping the flood of workers who came individually and without work, looking for a new chance. The strong tradition of the United States as a place of asylum for the oppressed of Europe prevented the pas-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sage of any effective legislation to limit immigration, such as by a requirement of ability to read and write English.

Moreover, immigration from Europe met a critical need in the American growth process. In Europe, economic growth to a considerable extent was achieved through what is called the [Sir Arthur] Lewis model of "growth with unlimited supplies of labor," hardly distinguishable from the Marxian "reserve army of the unemployed." Unlimited supplies of labor off the farm held down wages, raised profits, led to reinvestment of profits and sustained growth. In the United States, early growth came from unlimited supplies of land which furnished a good livelihood to independent farmers. When manufacturing began to flourish—mainly because of the spillover of demand from affluent agriculture and only partly as a response to protectionist tariff policies—the massive infusion of labor sustained the process.

A high land-labor ratio from the beginning meant high wages, and high wages in turn predisposed American manufacturers to labor-saving invention. Eli Whitney responded with the cotton gin, which made possible the expansion of the cotton crop and of British and New England cotton-textile industries. He further perfected interchangeable parts. The Colt revolver, the McCormick reaper, the Singer sewing machine, and the typewriter were among the labor-saving devices which poured forth from Yankee ingenuity. They quickly led to manufactured exports and subsequently to subsidiary factories abroad. The roots of the multinational corporation in manufacturing, usually thought of as a product of the jet aircraft and transatlantic telephone 100 years later, stretch back virtually to the middle of the nineteenth century. The Colt revolver and the McCormick reaper scored successes at the Crystal Palace Exhibition of 1851 and the Paris Exposition of 1855.

Finance had gone abroad as a handmaiden of trade long before manufacturing. Industry and the states of the Republic had borrowed in foreign financial centers since the 1820s, and had chalked up a substantial record of default and failure. The role of the federal government in these matters was small until the 1840s, when the first borrowing of consequence since the Revolution was undertaken to finance war with Mexico. Peabody, Seligman, Morgan, Drexel, and other less illustrious names gradually shifted their overseas operations from trade to investment banking more generally.

In monetary affairs, the United States sought to adhere to bimetallism, and then to the gold standard, although its finances seemed chaotic in the view from European centers, as speculative excess led to boom and bust, mania and panic, especially in 1836, 1857, 1872, 1893 and 1907, which sent shock waves reverberating back to Liverpool, London, Paris, Amsterdam and Hamburg. It was necessary to suspend specie payments and to issue greenbacks during the Civil War, resulting in depreciation of the Union dollar—though to nothing like the extent of Confederate money or the Continental currencies. After the war, the question was merely one of when to resume specie payments, and how. Resumption was achieved in 1879. An important change had been made in 1873, when the flood of silver from Nevada after 1869 depressed its price. A continuous preoccupation since the Coinage Act of 1792 had been to get the ratio of silver to gold right, so as to thwart Gresham's Law that overvalued money drives undervalued out of circulation. Up to the 1830s, when the United States ratio was 15 of silver to 1 of gold to the general European ratio of 15.5 to 1, the country gained silver and lost gold. In 1834 and 1837 the ratio was changed to 16 to 1. By 1872, however, 16 to 1 was too high a value for silver, and bimetallism was then abandoned in favor of gold, to the dis-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tress of Populists for the rest of the century.

Tariff policy at this time was dominated by fiscal considerations. When the Treasury was pinched, as in 1862 during the Civil War, tariffs were raised; when revenue was ample, as in 1872, lowered. But by 1890, as a result of depression, the McKinley tariff raised rates, especially on wool and sugar, only to have the act of 1894 under President Cleveland partly reverse the result, largely on the basis of the charge that it had been produced by "trusts." The 1890s were a period of trust-busting and opposition to monopoly. Action against trusts, however, stopped at the water's edge. No action was taken against the collaboration of large American firms with one another or with foreign firms in foreign markets, except insofar as they conspired to restrain competition in the U.S. market.

By the turn of the century, the United States was beginning to move away from an isolationist parochialism to a role in world society. As early as 1853–54, Commodore Perry had opened up Japan to American and European shipping and trade. When the Berlin Conference of 1885 among the European powers accelerated the pace of imperialistic acquisition, the United States became restive. In 1898 the explosion of the *Maine* in Havana harbor provided an excuse for a war against Spain in which Cuba, among others, obtained its independence, but Puerto Rico and the Philippines became United States protectorates. In the chaos which followed liberation, American investors (trusts?) acquired major properties in Cuba, especially the Isle of Pines, in an episode which recalls the carpetbagging in the South during the Reconstruction after the Civil War.[4] Fearful of being left behind by European powers, the United States sought an open door in China. The beginnings of foreign aid may be found in U.S. use of its share of the indemnity required of China after the Boxer uprising of 1900 for charitable work in China.

The sharp depression of 1907 raised questions about the efficacy of the national banking system established in 1863. No longer completely self-sufficient, the country established the Aldrich Commission which reviewed banking legislation in other countries to study how to improve banking organization. Senator Aldrich also gave his name to the Payne-Aldrich Tariff of 1909 which raised tariffs to their highest point in the history of the country before World War I. Democratic victory in 1912 with the election of President Wilson brought the passage of both the Federal Reserve Act and the sharply reduced Underwood Tariff of 1913. The Payne-Aldrich Act was said to favor trusts, and to have produced depression in 1910.

Up to 1914, dominant economic issues were argued in terms of domestic interests in a world taken as given, which U.S. action did little to affect, rather than in terms of economic theory or foreign relations. The British-dominated international economic system served American interests well. The country could afford to be loyal to that system, despite the claims of Southwestern farmers and Western miners that it depressed prices. Gold in California in 1848, silver in Nevada in 1869, the expansion of wheat acreage in the 1870s, and the bubbles followed by bursts throughout the century from 1815 to 1914 affected the system in ways we chose to ignore. That was the business of someone else—perhaps in London. America did what it did. Feedback to other nations was ignored.

III

World War I changed the entire position of the United States in the world econ-

[4] See Carlos F. Diaz Alejandro, "Direct Foreign Investment in Latin America," in *The International Corporation,* ed. C. P. Kindleberger, Cambridge: MIT Press, 1970, p. 321.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

omy. According to economic analysis a country progresses through a series of stages: young debtor, mature debtor, young creditor and mature creditor. The United States went from the first to the fourth in three years, from 1914 to 1917. Assembly-line methods devised by Henry Ford just prior to the war were expanded to produce equipment and munitions for the Allied powers of Europe and for the United States itself. Based on the Federal Reserve System, the financial apparatus of the country grew in parallel. J. P. Morgan & Co. financed British and French private borrowing in the United States, and served as fiscal agent in supporting the pound and franc in foreign-exchange markets. In the end, the U.S. government itself undertook to finance Allied borrowing in dollars, especially those for consumption and reconstruction in 1918 and 1919.

Revisionist historians maintain that the entry of the United States into World War I was a continuation of the imperialist policies of the turn of the century, and of the expansion of American trusts into overseas markets needed to sustain the rate of profit at home. These policies are thought to have been motivated by the Eastern establishment's desire, conscious or unconscious, to take over world economic domination from the City of London and other European economic power centers. The U.S. government is said early to have sought the expansion of overseas banking in order to push the use of the dollar in world trade and finance.[5] The theory suffers a logical flaw. Aggressive economic designs would have been more readily achieved by staying aloof from the battle, remaining "too proud to fight." The simpler and naïve purpose of "saving the world for democracy"—a non-economic motive—better fits the facts and the logic.

Saving the world was one thing; keeping it saved was something else. President Wilson had plans for remaining involved in European and world affairs. They were not widely shared. The United States refused to ratify the Treaty of Versailles, to accept reparations, or to join the League of Nations with its Economic and Financial Department to worry about world economic questions. It did, however, join the International Labour Organisation, established at Geneva in response to a proposal of the British trade unionist, Albert Thomas, and did cooperate with the League on a wide number of issues. General commitment to participate in the world political and economic system was withheld.

The war interrupted a wave of immigration which had reached, on a gross basis, one million persons in 1913. In 1917 an Immigration Act was passed after long debate, and over the veto of President Wilson, providing that immigration be based on quotas conforming to national origins of the existing population. This restricted immigration from Southern and Southeastern Europe in favor of the Northern and Western sections. In 1921 and 1924, overall quotas were reduced. The action is

[5] Paul P. Abrahams, "The Foreign Expansion of American Finance and its Relation to the Foreign Economic Policies of the United States, 1907–1921," Ph.D. dissertation, University of Wisconsin, 1967, p. 84. A somewhat premature expression of financial aggression is contained in a statement of the *New York Herald* in an 1857 issue: "Each panic has resulted in making the city of New York the centre of finance and trade for this continent. In 1837 it stood on a sort of struggling emulation with Philadelphia and Boston. . . . The rivalry between New York and other cities has ceased. The late struggle of 1857 was in great degree between New York and London, and has terminated in the advantage of the former city. And the time must not ere long arrive, when New York, not London, will become the financial centre, not only of the New World, but also to a great extent, of the Old World." See D. Morier Evans, *The History of the Commercial Crisis, 1857–58 and the Stock Exchange Panic of 1859* (1859), reprinted New York: Kelley, 1969, pp. 113–14.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

generally ascribed to trade-union desire to limit the workforce and preserve wage gains achieved during the war. More fundamentally, the motivation was socio-political rather than economic, reflecting widespread concern that it would be difficult socially to absorb the vast numbers of would-be immigrants backed up in the countries of supply.

The most serious economic issues arising from the war dealt with reparations and war debts. Having been strengthened economically rather than hurt by war, the country refused to accept reparations, but insisted on being repaid by its Allies for war and postwar loans. It further maintained that war debts and reparations were unrelated, contrary to French and British positions, the latter expressed in the Balfour Note of August 1922. Not until the Hoover moratorium of June 1931 was the connection acknowledged; and even after reparations had been buried at Lausanne in July 1932, Hoover in 1932 and Roosevelt in 1933 continued to try to collect war debts.

The United States played a role in reparations, however, through private individuals. When the Versailles arrangements broke down after the German inflation and after the occupation of the Ruhr by Belgian and French troops, Charles G. Dawes served in 1923–24 as chairman of a commission to write a new plan. The conventional wisdom has held that Dawes was simply American window-dressing for a staff plan drawn up by British civil servants, but this is now known to be oversimplification. One British aim in the Dawes Plan was that the revised Reichsbank should hold foreign exchange, that is, pounds sterling, among its reserves. On U.S. insistence the Dawes Plan specified that Reichsbank reserves be held in gold—an echo of a controversy between France and the United States forty-plus years later but with the U.S. role reversed.[6]

By 1930, when Owen D. Young served in a similar capacity on a revised reparation scheme, U.S. involvement in European financial questions was complete. While much of the attention of government was focused on domestic problems—the Florida land boom, the rise of the automobile industry, and the decline in agriculture—Eastern finance was being drawn into world affairs. The Dawes Plan provided for issuance of a loan for Germany. The New York *tranche* (or slice) was oversubscribed 11 times and gave a sharp stimulus to foreign lending generally. The Agent-General for Reparations, established under the Plan, was S. Parker Gilbert, formerly of J. P. Morgan & Co.

During the 1920s, moreover, Benjamin Strong, the President of the Federal Reserve Bank of New York, was often called upon to arbitrate the central-bank quarrels of Europe, largely between Montagu Norman of the Bank of England and Emile Moreau of the Bank of France. Strong had a leading role in urging the return of the pound to par in April 1925. Then, within two years, he faced a dilemma, whether to lower interest rates in New York to assist the British with outflows of capital, or to raise them to slow down the boom in business and in security prices. He chose the former, and from March 1928 the stock market soared.

Economists call it a "dilemma position" when monetary policy is pulled in one direction by external and in another by internal requirements. For a long time, Strong's choice of aid to Britain's maintenance of the gold standard over curbing the speculative excesses of the stock market was regarded as a bad one. More recently, "monetarist" economic historians such as the Nobel-laureate Milton

[6] Stephen V. O. Clarke, *Central Bank Cooperation, 1924–31,* New York: Federal Reserve Bank of New York, 1967, pp. 60–67.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Friedman have shifted the debate, arguing that, while Strong was wrong in favoring foreign over domestic considerations, he should have ignored the stock market and focused on a steady expansion of the money supply.[7] I am no more moved by this revisionism than by the political brand. Money supply was growing, and in fact declined very little up to March 1931. To the economic revisionists, it was not growing fast enough, a subtle argument but unconvincing.[8]

In Wilson's Fourteen Points, only the third had dealt with economic questions, and called for "removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all nations consenting to the peace and associating with its maintenance." It evoked little response, either at home or abroad. The United States in Harding's Administration took action in the Fordney-McCumber Tariff of 1922 to nurture its new crop of wartime infant industries. Tariffs were similarly raised all over the world.

The League of Nations undertook to reverse the trend in a series of conventions, many of them technical, for lifting trade from the chaos into which it had fallen during the war and the period of postwar monetary disturbance. In 1927 a World Economic Conference, with the United States as observer, met in Geneva and adopted a series of resolutions for lowering tariffs and opening up trade channels. No action was taken under it. Instead, Herbert Hoover, campaigning for the presidency in 1928, promised to do something for agriculture to alleviate its plight under the pressure of falling prices, which had begun in 1925. That something was to be what Josef Schumpeter called "the Republican household remedy": increased tariffs. In due course, this commitment ended up as the Hawley-Smoot Tariff of June 1930.

On tariff matters, disaggregated economic interests and recommended policies diverged for ideological reasons, or what is perhaps better explained as cultural lag. The North and Middle West, interested in manufacturing, favored Republican high tariffs; the South, with a traditional stake in the export of cotton, was Democratic and opposed to protection. (Middle Western agriculture was ambivalent: interested in exports of grain and lard, but worried about farm imports from Canada and Australia.) But the economic base underlying these positions was changing. In the Middle West, manufacturing had risen through mass production to an export position, which would benefit from freer trade; in the South, especially North and South Carolina and Georgia, the cotton-textile industry, moving in from New England in the 1920s and 1930s, gave many states a greater interest in cotton textiles than in cotton production. Not until after World War II did the South begin to qualify its doctrinaire espousal of free trade; and a Senator such as Robert Taft from Cincinnati, a city exporting machine tools to the world, never altered his inherited protectionist views in the economic interests of his constituents. Detroit in the 1920s was rising to a position like Manchester in Britain during the first half of the nineteenth century. It was slow in drawing policy consequences.

IV

To Herbert Hoover, the Depression which started in 1929 was the fault of Europe, and there was little that the United States could or should do interna-

[7] Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960,* Princeton: Princeton University Press, 1969, pp. 298–99.

[8] C. P. Kindleberger, *The World in Depression, 1929–39,* Berkeley: University of California Press, 1973, pp. 136–38.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tionally to remedy it. The Hawley-Smoot Tariff of 1930 was a domestic measure, undertaken to relieve agriculture. If the movement to raise tariffs spread beyond farm products to manufactures, and if tariff rates were raised to unconscionable levels, as 34 protesting nations abroad contended, Hoover nevertheless regarded it as a private U.S. matter. He did not answer widespread criticism that creditor nations should not raise tariffs on the ground that this prevents debtors from paying interest and amortization—an oversimplified and dubious doctrine, as it happens. (Tariffs under stable conditions raise income which spills over into further imports, to change for the most part the structure rather than the total quantity of imports.) Mostly, however, he failed to see the Hawley-Smoot Tariff as the major action in setting off a retaliatory tariff war of the beggar-thy-neighbor sort. World trade shrank in a declining spiral, as the quantities and prices of traded commodities continuously fell.

The impact of the Depression in the United States ricocheted abroad in other ways. The United States stopped buying as much abroad and also stopped lending, thus cutting down on available foreign exchange in two ways. In British lending of the nineteenth century, foreign and domestic investment alternated: when the periphery lost receipts from exports, it was able to borrow. This was not a matter of policy, but of the action of market forces. In the United States lending policy was minimal. The Department of State had asked Wall Street to notify it of impending bond issues so that it could indicate if there were foreign-policy objections to particular loans. And the Johnson Act of 1930 stipulated that borrowers in countries in default on war debts could not have access to American capital markets, but this manifestation of congressional irritation on war debts should not have had any effect on major borrowers in Germany, the Dominions and Latin America that owed no war debts. Nevertheless, there was nothing that President Hoover could do to stimulate lending. It picked up in the second quarter of 1930 and then mysteriously collapsed.

In 1931, Hoover acceded belatedly to the suggestion for a moratorium on war debts and reparations; failed to take vigorous action to stop the financial runs on Austria, Germany and Britain, partly because of the necessity of agreeing with France; and ignored the strongly deflationary impact of the appreciation of the dollar—flowing from the depreciation of the pound sterling—on U.S. farm prices, banks in agricultural areas, and ultimately on banks more generally. Mr. Hoover had an enviable record in international affairs as mining engineer and as administrator of food relief for Belgium immediately after the war. His vision of interrelations among world economies under stress, however, was a limited one, and contrasted sharply with the broader view espoused by such Eastern establishment spirits as Dwight Morrow, a Morgan partner.[9]

Foreign economic policy suffered in 1932–33, when Hoover was unable to govern and Roosevelt refused—after the election but before his inauguration—to make decisions before he bore responsibility. With the Inauguration and the Bank Holiday, the "Hundred Days" involved a hectic series of decisions, largely on domestic programs—the Agricultural Adjustment Act, National Recovery Act, Thomas

[9] See Joseph S. Davis, *The World between the Wars, 1919–1939: an Economist's View*, Baltimore: Johns Hopkins University Press, 1975, p. 421: "Personalities counted heavily and clashes of strong personalities were recurrent sources of intranational and international friction. There were never enough harmonizers (such as Morrow, Salter, D'Abernon, Stamp, Monnet and Stresemann) to help divergent minds meet."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Amendment, and the like. Within the Roosevelt Administration an intense struggle took place between the Middle Western views of advisers like Moley and Tugwell, and the Eastern-Southern retinue of Norman Davis, James Warburg and Cordell Hull. The former dominated, and problems like the clash between agricultural imports and measures to raise domestic prices, or the World Economic Conference (scheduled for 1932 and postponed to 1933), were put to one side.

The dollar was allowed to depreciate, and when the World Economic Conference finally met in June 1933, President Roosevelt torpedoed it by refusing to accept an agreement worked out by the experts in which Britain would stabilize the pound, Germany would renounce foreign-exchange control adopted in the summer of 1931, France would give up import quotas undertaken because of the ineffectuality of tariffs in keeping out foreign grain, and the United States would stabilize the dollar. The conference broke up in early July after concluding only a small agreement sought by Senator Pitman of Nevada for the silver interests. Its consequence was to divide the world economy further. The Gold Bloc of Continental Europe—France, Belgium, the Netherlands and Switzerland—drew together, as did the sterling area of most of the British Commonwealth and a few countries closely allied to Britain in trade. At the center of the sterling area was the preferential trade system of the Commonwealth worked out at Ottawa in August 1932.

Under Roosevelt, however, the inward-looking phase of American policy did not last long. At the end of 1933 he and Secretary of the Treasury Morgenthau had lost interest in daily changes in the gold price and were exploring a stabilization agreement with the British. Failing this, in February 1934 they fixed the dollar in terms of gold anyhow, at $35 an ounce.

In the same month Roosevelt gave Cordell Hull—the Secretary of State with a fanatical preoccupation with free trade—the green light to introduce a bill to lower tariffs on a bilateral basis. (Under the unconditional most-favored-nation clause the country had adopted in the 1920s, reductions negotiated with one country would be extended to others.) This was signed into law in June 1934. Within the half-decade to 1939, 20 agreements were concluded, the first with Cuba in August 1934, the most important with Britain in November 1938 and two with Canada, in November 1934 and November 1938.

An awakening interest in foreign policies, both political and economic, also led the United States to normalize relationships with the Soviet Union, from which recognition had been withheld since the Revolution of 1917 on the ground that successor governments are required to assume the debts of their predecessors, which the Soviet government had been unwilling to do. Trade relations with the Soviet Union, which had been minimal to this time, expanded somewhat with the establishment of Soviet official buying agencies in the United States, but the development was not substantial.

To the South, Roosevelt initiated a Good Neighbor Policy, without, at that time, much in the way of specific content. It was, however, a significant change both from the Monroe Doctrine, which had been directed mainly against European intervention, and from the imperialism of the turn of the century—the imperious use of the Marines to collect debt service from Nicaragua and Haiti, and unquestioning support for such companies as United Fruit and Mexican Eagle in their operations in the area.

Of multilateral and more general import was the Tripartite Monetary Agreement entered into on September 26, 1936. The occasion was the collapse of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Gold Bloc, and especially of the French franc. The agreement provided a convenient cover under which the franc rate would be adjusted as part of an international exercise to provide exchange-rate stability. The engagement was limited: each country undertook to hold currency of the others without conversion to gold only for 24 hours. Symbolically, however, it marked an initiative by the United States in stabilizing the world economy. A separate similar exercise was undertaken in the spring of 1937, when the country refrained from changing the price of gold under pressure of the "Gold Scare" in which foreign private citizens and even a few central banks sold gold for dollars against the prospect of a reduction in the gold price. At some inconvenience, but no real cost, the U.S. Treasury held to the $35-an-ounce price, buying all gold that was offered to it and sterilizing it by raising reserve requirements and open-market operations.

Exactly what forces produced the change in American economic policy in 1933 and 1934 from isolation to involvement is not self-evident. Elements contributing to the shift included recovery from the depths of the Depression that had focused attention on domestic concerns, perhaps a shift of the President's interests from the Populist position adopted during the campaign and especially during the first exciting days in office to his more comfortable views as an Eastern establishment figure; growing preoccupation with the threat to world peace posed by dictators in Europe and the Far East, with a natural extension of interest from foreign policy to foreign economic policy; and, as already noted, familiarity and boredom with the esoteric games of changing the gold price to alter the exchange rate to raise U.S. commodity and share prices—especially after July 1933, when the technique ceased working. The circumstances and the personality of the President played a large part. More fundamental reasons would argue that the inward-turning of 1928 to 1933 was a deviation from trend, to which 1934 marked a return.

A European effort to regularize the international economy through agreement was initiated in 1937, leading to the preparation of a report under the direction of Paul Van Zealand, former Prime Minister of Belgium. Appearing in 1938, the report was ignored under the stress of recession in the United States, which had struck in September 1937, and of rapidly expanding rearmament in a Europe threatened with war.

Foreign economic policy records two episodes associated with the rising threat of war. In 1935 Italy launched an unprovoked attack on Ethiopia, and the League of Nations somewhat diffidently called for sanctions on the delivery of oil to Italy. Though not a member of the League, the United States nonetheless supported the campaign and urged American oil companies to stop selling oil to Italy. The large companies complied with the request; unfortunately a rapid increase in Italian oil prices induced the entry of a host of single-ship operators who escaped control and delivered to Italy at Eritrean ports more gasoline than it had previously imported.

And, in 1938, the United States took another economic-warfare action of its own in cutting off the export of scrap iron and steel to Japan, foreshadowing a cutoff of oil in the summer of 1941, which helped precipitate the decision of Japanese military leaders to make war on this country.

As war began in Europe in 1939, President Roosevelt honored more in the breach than in the observance the Neutrality Act of 1939, passed by the Congress in an effort to keep this country uninvolved; got around the Johnson Act of 1930 by interpreting it to apply only to private lending in the United States, and not to government advances to foreign borrowers; and finally, after the tide of battle had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

turned against Britain in 1940, and well before the United States had entered the war, enacted Lend-Lease in February 1941 as a way to transfer resources to its Allies without piling up the kind of recount of war debts that had occurred after World War I. A special feature of Lend-Lease was the Hyde Park Agreement of December 1941 with Canada, under which supplies and components needed by Canada for incorporation in matériel produced for Britain would be lend-leased to Britain, but delivered to Canada. This had the effect of keeping Canada off the books as a recipient of U.S. assistance. Before U.S. entry into the war, the United States and Canada established a Joint Economic Committee of the two countries to expedite cooperation in mobilization and in planning postwar reconstruction. When the United States did enter, joint boards were established with Britain in a number of economic areas, parallel to the military arrangements, and especially in procurement, shipping and food.

As one condition of qualifying to receive assistance, the Lend-Lease agreement required that the recipient promise to cooperate with the United States in the design and construction of a liberal postwar world economic system. In the summer of 1941, President Roosevelt and Prime Minister Churchill met aboard a warship off Newfoundland. In addition to strategic planning of military operations, they drafted an Atlantic Charter that laid down broad principles for the establishment of a liberal economic system after the war.

V

In the Department of State, Leo Pasvolsky was assigned the task of preparing postwar plans for U.S. policy for the world economy. No government agency waited for such plans to emerge. The Treasury moved ahead with monetary reconstruction. In 1943 the Agriculture Department organized a Hot Springs meeting on food. From the Department of State came a design for world trade. The United Nations was to be assigned a watching brief over world economic policies generally, but with operating responsibilities assigned to specialized agencies.

These responsibilities are indicated by the substantives used in the titles of the major world organizations. First in functional order was the United Nations *Relief* and *Rehabilitation* Agency (UNRRA). Relief was the provision of foodstuffs to hungry allies after the war. Rehabilitation consisted of restocking. The Bretton Woods bank was the International Bank for *Reconstruction* and *Development* (IBRD), beginning with the reconstruction of war damage, and going on to the development of countries which had not begun industrialization. The International *Monetary* Fund (IMF) would deal with exchange rates, balances of payments and the financial side. An International *Trade* Organization (ITO) was to lower restrictions and set rules for commerce. The world order would be pieced out with lesser specialized agencies in health, meteorology, aviation and the like. While these institutions were being brought into being, the United States enlarged by $3 billion the lending capacity of the Export-Import Bank, established in 1934 primarily to assist exports and employment. Of this, $1 billion was initially set aside for a loan to the Soviet Union, pending settlement of Lend-Lease and other wartime financial arrangements. The loan failed to materialize for reasons that have never been made clear but that undoubtedly reflected the influence in that first Truman year of such men as James Byrnes and Leo Crowley.

As the country least hurt by war, the United States took a major role in contributing to UNRRA, stocking it in large part with surplus army provisions. A first

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tranche of $2.75 billion was to be followed by a second equal amount in August 1945. A number of countries raised objections. Canada chose to give its aid directly to Britain. Britain refused to join unless the feeding of Austria and Italy were shifted from military aid (in which its share was 50 percent) to UNRRA (in which it was 8 percent). The U.S.S.R. insisted that while it was a donor, to the extent of 2 percent, and hence not entitled to receive aid, the Ukraine and Byelorussia should be recipients. With one vote in 17, the United States reluctantly agreed to take over the Canadian 6 percent, thereby increasing the U.S. total from 72 to 78 percent, and to add recipients, thus diluting the aid provided for others. It resolved thenceforward to render aid bilaterally, rather than through multilateral organizations that lacked objective principles of aid-giving and were subject to logrolling.

The need for relief, rehabilitation and reconstruction had been seriously underestimated in the postwar period, on several scores beyond the dilution mentioned. In August 1945, on the surrender of the Japanese, Lend-Lease was stopped precipitously—a decision made by President Truman and Secretary of State Byrnes en route to the Potsdam negotiations without consulting their economic advisers. The decision was based on commitments made to the Congress in the Lend-Lease legislation process, commitments which they both, as former Senators, felt bound to honor. In his *Memoirs* Truman recognized this as a serious mistake and put most of the blame on Byrnes. In addition to this blow, price control was removed in June 1946, so that a given amount of dollars went less far. Military destruction had been overestimated, but a serious underestimation of greater significance was made of the under-maintenance of capital, using up of stocks, and wearing out of consumers' inventories of clothing and household goods. Post-UNRRA direct assistance by the United States was undertaken in the strenuous conditions of 1946, along with the use of IMF and IBRD loans for emergency consumption rather than the reconstruction and balance-of-payments purposes for which they had been established.

The British position had been alleviated temporarily by an Anglo-American Financial Agreement which provided for a $3.75 billion loan to enable Britain to resume convertibility of the pound. During the early debates on postwar policy, John H. Williams of the Federal Reserve Bank of New York and Harvard University had opposed the IMF as a universal device for restoring world monetary health, and argued an opposing "key-currency" principle in which certain major monies, around which pivoted large currency areas, would be restored to health separately and in sequence. As often happens when alternative courses are debated, both the IMF and the British key-currency loans were adopted. The initial amount of the loan was cut from $5 billion, perhaps a political necessity since the measure ultimately passed the Senate by only one vote. (The vote ratifying the agreement in Parliament was also close, as the Opposition contended that the conditions of the United States in granting the loan were too onerous.) As it worked out, the British were unwilling or unable to negotiate the write-down or funding of accumulated sterling balances or to institute effective controls on the export of capital. In consequence, the convertibility of sterling instituted in July 1947 lasted only six weeks before the bulk of the loan was gone.

Relief for the defeated countries of Germany and Japan was a low priority for the Allied governments but not altogether ignored. U.S. policy toward Germany was complicated by joint occupation with Britain, France, and especially the Soviet Union; in Japan, where the United States was the sole occupation power, decision-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

making was easier. U.S. policies called for avoiding the connections between reparations, war debts and foreign lending which had held after World War I. At Potsdam the United States insisted that the four zones of occupation be treated as a single economic unit, and that the first charge on current German production from all zones be commercial exports necessary to pay for imports, rather than reparations. The point was to prevent some occupation powers from taking out reparations from current production while others were obliged to feed the population in their zones. Reparations, it was agreed, should be paid through removal of capital equipment from Germany that was in excess of the peacetime requirements of the German people.

Strong forces in the United States pushed for restrictive and repressive policies in Germany. Under a Joint Chiefs of Staff directive (JCS 1067), drawing its inspiration from the so-called Morgenthau Plan, the U.S. commander was instructed to take no steps to revive the German economy beyond those necessary to prevent such disease and unrest as might endanger the occupation forces. In July 1945, however, French, Belgian and Dutch need for coal made it necessary to try to restore German coal production for export. By fall, Poland was asking for spare parts for German machinery in Silesian coal mines. It proved impossible to reach sustainable agreements with the Soviet Union on what they could remove from Germany as war booty, restitution and reparations, and in particular the Soviet Union did acquire foodstuffs from the eastern zone of occupation while Britain and the United States were feeding their zones in the west. Gradually the zonal arrangements broke down, and so did arrangements for reparation removals. The economic importance of Germany in the revival of Europe became clear. By September 1946, the Secretary of State made a speech at Stuttgart outlining a more positive policy of German economic recovery in a European setting.

Governing and feeding Germany were further complicated in the fall of 1946 by a British government approach to the United States, stating that the country was unable to continue to pay the import bill for its populous zone of occupation including the Ruhr. A Bizonal Agreement in December 1946 provided that the two zones would be treated as a unit and that the United States would advance the bulk of the sums needed for imports. Later the French joined, with the smaller, self-sufficient zone.

Continued British economic weakness led in February 1947 to that country preparing to give up its support of Greek resistance to domestic and foreign infiltrating communist forces, and to another substitution of American for British responsibility, in the Truman Doctrine, for military aid to Greece and Turkey. Much of the assistance, especially in roads in Turkey, served a double economic and military purpose and could be said to be the beginnings of U.S. aid to economic development. Its main purpose was military.

A harsh winter in Europe in early 1947, which burst pipes, blocked transport, flooded fields and rotted seed, threatened economic breakdown throughout Western Europe. Funds made available from the United States under the British loan, UNRRA relief and post-UNRRA aid were nearing exhaustion. Political stalemate with the Soviet Union over German questions, plus economic disintegration which overwhelmed the stopgap measures applied to separate countries, produced in Washington a strong desire for a new, cooperative, enlarged effort to achieve recovery in Europe. On June 6, 1947, Secretary of State George C. Marshall gave a speech outlining a European recovery program. He proposed that Europe should

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

prepare a program of recovery which would involve the cooperation of all the countries participating, including Germany, and that with it as a basis the United States would undertake a new coordinated program of aid.

The invitation was extended to all the countries of Europe, including the Eastern bloc and the Soviet Union. Foreign Minister Molotov met with Foreign Ministers Bevin and Bidault in Paris but refused to participate unless the United States handed over a fixed sum first and let the countries of Europe use it in their own way. Following this refusal, Czechoslovakia and Poland, which had previously accepted the invitation to participate, reversed their decisions. When the three western zones of occupation of Germany went ahead with monetary reform in their own zones and in their districts of Berlin, in June 1948 as the Marshall Plan got under way, Soviet military forces blockaded land access to Berlin, effectively dividing the country. Western links to Berlin and the Berlin economy were maintained only by airlift.

Considerable ambiguity attached to U.S. views as to what was meant by a European recovery plan. In the eyes of many, it meant the extension to Europe as a whole of French techniques of *planification* begun with the Monnet Plan of 1946. To William L. Clayton, Under Secretary of State for Economic Affairs, and Lewis W. Douglas, Ambassador to the Court of St. James, it implied return to liberal principles of free markets. The preamble to the European Recovery Act of April 1948, and Paul G. Hoffman's speech of October 31, 1949, emphasized the reproduction in Europe of a vast continental market like that of the United States. The United States applauded when in May 1950 French Foreign Minister Robert Schuman proposed a measure of functional integration in the European Coal and Steel Community. It supported a European Payments Union. At the same time, it maintained pressure for the elimination of quota restrictions, which largely discriminated against U.S. exports in the interest of economizing on dollars, and worked more broadly for the adoption of generalized rules for trading in the draft Charter of the International Trade Organization (ITO) signed at Havana in 1948.

As indicated earlier, the ITO was to be a cornerstone of a worldwide system of liberal trading, setting down procedures for lowering tariffs on a multilateral basis, providing for freedom of investment, limiting restrictive business practices, and establishing machinery for handling necessary exceptions and adjustments. Countries emerging from the difficulties of war, and those embarking on programs of development, insisted on so many exceptions to the general rules, against quantitative restrictions and in favor of low, nondiscriminatory tariffs, that the Congress of the United States judged the document worthless. The United States would be held to the general rule; other countries would claim avoidance under saving clauses.

The Department of State ultimately did not submit the treaty to the Senate for ratification. Instead, it concluded an executive agreement, not requiring congressional assent, the so-called General Agreement on Tariffs and Trade (GATT) that embodied the principal clauses of the ITO, and provided for a small staff to supervise operation of the agreement in Geneva. Under its aegis, a series of multilateral reductions of tariffs was negotiated in the postwar period, from the Geneva Round in 1949 to the Dillon, Kennedy and current Tokyo Rounds. The Kennedy Round negotiated after 1962 was particularly salient.

Help to developing countries was initially limited to the "development" aspect

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the IBRD and Greek-Turkish aid. In his Inaugural speech of January 1949, however, President Truman included a Point IV aimed at this group of countries. This program initially consisted of technical assistance, especially in agriculture, education, and the planning of public works. As the 1950s wore on, it became increasingly evident that much more was needed, especially capital assistance. A euphoric mood developed that poor countries could all follow the development path of Britain, the rest of Western Europe, North America, and most recently Japan, and succeed in raising their standards of living. Needed were resolve on the part of local government and foreign aid in the form of goods, modern technology and effective management. Under the Republican regime of President Eisenhower, and later under Nixon, emphasis shifted from official aid to the role of American corporate investment in countries initially called "underdeveloped," then "less developed," and finally "developing." Both political parties put faith in the beneficent role of American food aid, under Public Law 480, designed to help developing countries and the American farmer, the latter by disposing of surplus stocks. Other groups were not slow in taking advantage of the opportunities afforded by foreign aid, shipping lines insisting on transporting it in American bottoms, suppliers that it be spent on or tied to American goods only. Even the Congress benefited through a provision that five percent of the local-currency counterpart derived from the sale of aid goods be set aside for American use, largely the building of embassies and the entertainment of junketing Congressmen.

Assistance was furnished through multilateral agencies and bilaterally. Under the former, there were U.N. programs: those of the IBRD and its subsidiaries—the International Development Association (IDA) for non-bankable projects, and the International Finance Corporation (IFC) to invest in private enterprise in developing countries. In time special regional banks were established, largely with American capital, in Latin America, Asia and Africa. In due course, aid to development was extended by other industrial countries after their recovery from the war. Development became an international concern of the Organization for Economic Cooperation and Development (OECD), which emerged under the Marshall Plan from the original Organization for European Economic Cooperation (OEEC)—enlarged to include the United States, Canada, Australia and Japan. Its Development Assistance Committee (DAC) gathered statistics, compared national efforts, and urged increased aid.

Foreign aid was assisted in the early stages by the cold war. South Korea, Taiwan and Israel were especially favored by U.S. aid because of their strategic importance. Cuba got no aid from the United States, a great deal from the Soviet Union. At the last minute Secretary of State John Foster Dulles backed away from building the Aswan Dam in Egypt and let the Soviet Union take on the project. Bilateral aid was divided into military and economic, and the latter was often not that much different from the military aid in its implications for political alignment and support.

Discouragement with foreign aid set in during the 1960s. Economic development was stubbornly slow. Aid achieved little growth, less gratitude, few political objectives. The Hickenlooper Amendment, which required withholding aid when American property was nationalized without prompt, adequate and effective compensation, proved ineffective. Internationalists deduced from these circumstances that foreign aid should be multilateral, not bilateral. Those not so internationally minded thought there were better things to do with the money at home. Détente

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the Soviet Union lessened the urgency of helping the developing countries. Aid still could be used in particular political impasses to grease a solution, help for both Egypt and Israel, or support for Rhodesia. But the moral commitment eroded.

Last in this catalog of areas of foreign economic policy was the monetary field. The IMF went into hibernation after the start of the Marshall Plan, except for a series of small operations, largely the furnishing of advice to developing countries, since the major financial needs of developed countries were covered by the Marshall Plan and by the substantial volume of dollars earned by Japan as a staging area for U.S. troops in Asia.

As recovery progressed, however, the countries of Europe and Japan began to accumulate foreign-exchange reserves, a process which continued after Marshall aid ceased. Some insignificant amounts of dollars were converted into gold in the 1950s. The greatest part was held in deposits in U.S. banks and in U.S. Treasury bills. The country became banker for the world, spending abroad, investing, lending, furnishing assistance in amounts which exceeded the dollars earned through exports of goods and services. Accumulation of dollars by foreign countries began to be regarded as a deficit in the balance of payments of the United States, and was a matter of concern to President Eisenhower in the closing days of his term of office, and to Presidents Kennedy and Johnson from 1960 to 1968. Gradually the country's economic preoccupations shifted from the rest of the world to the international position of the United States.

VI

Immediately after the war, the French economist François Perroux wrote of the United States as a dominant economy; i.e., its every action affected the rest of the world, but it was not in turn called upon to react to events outside.[10] A recent English observer, seeking to make an elusive distinction between "hegemony" and "leadership," characterized the role of the United States in international economic affairs in the 1950s and up to the middle of the 1960s as "hegemonic."[11] The decline in dominance was visible about 1960.

One view holds with hindsight that the shift from preeminent concern in foreign economic policy for the public international good began with the permanent exception sought by the United States in 1955 to the rule against quantitative restrictions in GATT for its agricultural products.[12] U.S. support for freer trade in agricultural products is highly selective: it favors freer trade in export products such as grain, oil seeds and meal, citrus fruit, poultry and tobacco; and opposes it in dairy products, meat, rice, sugar, cotton and wool, which are on its import list.[13] Farm groups have long had power in legislatures well beyond their economic significance, as a result of Engel's law and cultural or perhaps political lag. Engel's law—that food consumption as a proportion of expenditure declines as income rises—means that farm groups are in continuous decline in the proportion of na-

[10] François Perroux, "Esquisse d'une theorie de l'économie dominante," *Economie Appliquée,* No. 2–3, 1948.

[11] Andrew Shonfield, "Introduction: Past Trends and New Factors," in *International Economic Relations of the Western World, 1959–71,* Vol. 1, *Politics and Trade,* ed. Andrew Shonfield, London: Oxford University Press, 1976, p. 33.

[12] T. K. Warley, "Western Trade in Agricultural Products," in Shonfield, *op. cit.,* pp. 345–47.

[13] *Ibid.,* p. 322.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tional income produced, of persons employed, and in votes. Political lag—until the Supreme Court one-man, one-vote decision in 1962 required state legislatures to be reapportioned on a regular basis—meant that the states retained control of the decennial reapportionment process and that farmers dominated it. This fact and the seniority system kept them in effective control of key legislation far out of proportion to their numbers or economic importance. Where farm groups led the way in insisting on domestic special interests over the interest of the economic system on a world basis, other groups—trade unions, industries, shipping, large corporations and the like—did not tarry in asserting their own interests. The executive branch often fought a rearguard action, yielding slowly in watering down the successive trade legislation, for example, with escape clauses, peril point provisions, the application of export quotas abroad, anti-dumping provisions, and exceptions to freer imports in the interest of national defense.

The primary unraveling of the American dominance, hegemony or leadership in the world economic system, however, came in the monetary field, and had its roots in technical and political difficulties. The technical difficulties were those of understanding. The Bretton Woods system had strongly opposed flexible exchange rates on the basis of the 1930s experience of competitive depreciation. It permitted or encouraged control of international capital movements in the defense of a fixed exchange rate. At the end of the 1950s, members of the economics profession—prominent among them Yale Professor Robert Triffin—began to fear that the world money supply would prove inadequate. Gold production furnished only about $1.5 billion of additional reserves annually to the world, and much of this—ultimately all of it—went into private hands for industrial use and hoarding. Liquidity was furnished to the world by the U.S. balance-of-payments deficit, measured by the increase in dollar reserves by countries abroad. When the United States succeeded in correcting this deficit there would be insufficient liquidity to finance world production and trade. Observers like Jacques Rueff of France and Roy Harrod of Britain wanted to raise the price of gold; Robert Triffin recommended issuance of a new international money. Meanwhile, the United States sought unsuccessfully to correct its balance-of-payments "deficit" by halting capital exports through taxes on security issues, controls over bank lending, and restrictions on taking capital abroad by firms investing overseas—all to no or little avail. And countries like the United States and Germany conducted their monetary policies independently, without recognition that their money markets had been joined through the joining of each with the Eurocurrency market which had grown up outside the United States.

In retrospect it is clear that there were a number of errors of economic analysis in these views. First, it proved impossible to halt capital movements in most societies. Money is fungible and flows through many channels. To cut off one or two channels at a time will only increase the pressure on others and maintain the flow which, so long as there are enough conduits open, is impervious to the closing off of any one. Other temporizing devices worked out by the ingenious Under Secretary of the Treasury, Robert V. Roosa, such as issuing special bonds which guaranteed the buyer against exchange risk, or negotiating special offsets by Germany against American expenditure for the maintenance of its forces in Europe, were of little help, based as they were on the reasoning that the deficit in the U.S. balance-of-payments was a passing disturbance. Second, most of the deficit was a function of the fact that the United States was acting as banker to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the world. Liquidity needs determined the deficit, rather than the deficit accidentally filling liquidity needs. This became less true in the final years of the Vietnam War after about 1968, and especially in 1970 and 1971, when the merchandise trade balance in the United States balance of payments turned adverse on an annual basis for the first time since 1894. The meaning of surplus and deficit in the balance of payments is different for a bank and for a bank customer. The United States was acting as a bank. The rest of the world represented customers. Third, when money markets are joined, as European markets were with those of the United States and Canada, monetary policies cannot be independently determined. In 1966 and 1969–70, U.S. attempts to tighten interest rates pulled a flood of money from Europe. The system ultimately collapsed in 1971 when the United States tried to achieve cheap money while Germany was seeking to raise interest rates. Dollars poured abroad and drowned the Bretton Woods system.

The Bretton Woods misconception about the possibilities of control of capital movements had another consequence. The IMF had been designed to fund cyclical —not persistent—balance-of-payments deficits on current accounts, not to handle capital flows. The amounts available were too small, even before postwar inflation, and provision of assistance was stretched out over time. The IMF was no help in a crisis on this score, and also because its decision-making procedures were time-consuming. A few steps were taken to modify IMF procedures to correct these disabilities. With convertibility in 1958, however, it proved necessary to provide a special fund for countries under speculative attack, called the General Arrangements to Borrow (GAB), organized by leading financial countries (the Group of Ten). A run on the pound sterling in March 1961 occurred while this machinery was being completed, and was met by an informal emergency loan to Britain on the part of a number of countries. This so-called Basel Agreement, led by the United States, was regularized in arrangements to swap claims on foreign central banks for foreign claims on domestic central banks, which were activated in subsequent foreign-exchange crises in Canada in 1962, Italy in 1963, and Britain again in 1964 and 1967. As the largest supporter of the agreement, the United States found it of little help when the crisis affected the dollar.

In 1965, under President Johnson and Secretary of the Treasury Henry H. Fowler, the United States decided that it would be useful to adopt Triffin's suggestion of a new international reserve asset, but to do so in addition to gold and dollars, not as a substitute for them. The reason was that gold was going into hoarding and was not available for adding to world liquidity. The world had accumulated $25 billion or so of dollars and was wary of taking more. To increase world liquidity at some appropriate rate, therefore, it was believed necessary to add a third asset. Subconsciously, perhaps, the American authorities were more interested in restoring the U.S. ratio of reserve assets to foreign liabilities than they were in global liquidity. They failed to recognize that Special Drawing Rights for the United States meant SDRs for all.

An asymmetric or hierarchical system in which the United States acted as banker for the world; the ultimate provider, along with military security, of a market for distress goods; a source of goods in short supply, and of capital requirements; a monitor of the system of international money including the pattern of exchange rates; and a lender of last resort in crisis—such a system may be possible to contemplate in economic terms. By the 1970s it was no longer in the cards politically. Attacks on the system came from many sources: from within the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

United States where some industries, and most labor unions, joined farmers in asserting the primacy of their parochial interests over the international interest of the system; from radicals who insisted that U.S. professed action in the international interest was in fact a selfish imperialist one; from a stronger Europe, led by France and followed somewhat reluctantly by Germany, Britain and Italy, claiming an enlarged share of decision-making; and from the developing countries. It was largely the domestic interests in the United States that led Secretary of the Treasury John Connally in August 1971 to insist on devaluation of the dollar, to break the pressure on import-competing industries, and which led President Nixon in August 1973 to embargo the foreign sales of soybeans, thus administering a second shock to Japanese economic interests and sensibilities. The French voice in international economic matters was larger than their economic specific gravity for a number of reasons: because they mobilized the European Economic Community (EEC) in support on occasion; because they were willing to exit—converting dollars to gold ostentatiously in 1965, withdrawing from NATO, refusing to vote in EEC until they got their way over agricultural prices.

The developing countries had organized themselves as the Nonaligned Nations at Bandung in 1955 and as the Group of 77 in the United Nations Conference on Trade and Development (UNCTAD) in 1964, and began gradually offering an alternative view of how the international economic system should be managed. In the United Nations, making effective use of a large majority because of the numbers of newly independent states, the developing countries gradually fashioned a position which differed from the free-market one professed by the United States in a long list of economic functions, from trade to commodity prices, assistance for balances of payments, foreign aid, the multinational prices, assistance for balances of payments, foreign aid, the multinational corporation, and the issuance of international liquidity. They denounced the conception of a liberal system as neocolonialist, continuing economic subjection after political independence had been granted, and opposed it with a list of demands packaged as the New International Economic Order. The success of the Organization of Petroleum Exporting Countries (OPEC) in converting a political embargo into a drastic price rise in oil in December 1973 in the wake of the Yom Kippur War raised expectations of the developing countries in their demand for a share of SDRs, and their demand for generalized preferences for manufactured exports of developing countries in industrialized nations. Secretary of State Henry Kissinger initially reacted to this importunism by ignoring it. Gradually, however, he began to take a hand, seeking a way to find an accommodation with the developing countries. At the Seventh Special Session of the General Assembly in September 1975, he went along with a proposal for a Committee of Twenty, to meet at Paris, with four committees, to prepare detailed plans. And during 1976 a genuine bargaining process seems to have been under way, in Paris, at the Jamaica meeting on monetary matters, at the UNCTAD Conference in Nairobi in May—as well as in the related area of the Law of the Sea Conference, where a deadlock between developed and developing countries persists on the issue of how to exploit and distribute the proceeds of the mineral resources of the ocean seabeds.

VII

Public goods are those the consumption of which by any one person or consuming unit does not diminish the amount available for the consumption of others. Short of some level of congestion, roads and parks furnish an example.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Other types of public goods are law and order, clean streets, economic stability.

Public goods are difficult to get produced on a voluntary basis because it is in no one person's interest to undertake the expenditure of time, effort or money to do so. And, if they are going to be produced, the individual can enjoy them without payment, as a free rider. Hence, public goods are notoriously underproduced. They must be furnished by government, and even then sectional or group interests may politick against their production on the ground that *their* costs exceed *their* benefits.

In the international economy, there is no government to produce public goods. Certain international agencies are endowed with powers to discharge certain functions. For the most part, however, international public goods are underproduced unless some countries take on a leadership role, cajoling, persuading, arm-twisting other countries to take their appropriate shares of the cost. There can be stalemate: at the 1927 World Economic Conference under the auspices of the League of Nations, all countries, including the United States which attended as an observer, agreed to lower tariffs, but no country took action. All waited for a lead which was not forthcoming. At the World Economic Conference of 1933, no country was willing to abandon its national plans for recovery for the possibly illusory hope of a joint recovery effort.

Without leadership, international public goods are underproduced. With leadership there is the opposite danger that some country starts out believing that it is acting in the public or general interest and slips knowingly or unwittingly into serving its own ends exclusively.

The international economic system flourished, more or less, from 1870 to 1913 when Britain served as world economic leader. The public goods that it provided were a market for surplus or distress goods, a countercyclical source of capital, management of the gold standard that maintained a coherent set of exchange rates and coordinated macroeconomic policies, and the lender of last resort in crises. After 1913 Britain was unable to discharge these functions, and the United States was unwilling to. The Great Depression is largely ascribable to this gap.

Beginning about 1936 and with assurance during and immediately following World War II, the United States undertook to provide the public goods needed for world economic stability. Instead of the gold standard as cover, it had the United Nations and its specialized agencies. From the early 1960s, however, and increasingly from 1965 as the Vietnam War deepened, this country became less willing to act as a leader and the world became less ready to accept it in that role. Some of the U.N. agencies can go on without strong national initiatives, notably the IBRD. Most cannot. France is prepared to assert a claim to leadership, with the help of its EEC partners. It receives limited support. One or two voices have been raised in favor of a duumvirate or a triumvirate of the United States and Germany, or the United States, Germany and Japan. Quite apart from grave doubt as to whether the interests of such a pair or trio of countries could be harmonized sufficiently, there are questions first whether either Germany or Japan would be willing—up to now they prefer "loyalty" to "voice"—and whether the rest of the world would accede in such an arrangement. On all three counts, the prospects appear slim.

The New International Economic Order, calling for developed countries to accede to developing countries' demands on the ground of historical equity, seems to this observer utopian. Equally so is the possibility of negotiating on a long-run

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

basis a giant "package deal" covering aid, preferences in trade, rights and duties of multinational corporations, international commodity stabilization, the "link" for the issuance of SDRs and the like. When principles are rejected, ad hoc arrangements may take their place but are unlikely to have much staying power. The universal historical record of failure in commodity agreements originates in the fact that while buyers and sellers may be content at any one time, at a later date when the agreement comes up for renewal, the price in the open market has changed and one or the other is dissatisfied. Complex package deals appeal to the diplomats, and the historical record contains a number—like the Congress of Vienna—that have demonstrated survival value. Most have not, nor have such deals in the economic field.

What then is ahead? Since 1971, despite inability to agree on the international economic system, the world has managed to avoid the beggar-thy-neighbor policies of competitive tariffs and competitive exchange depreciation which gave us the 1930s. Instability has been avoided though stability has not been assured. The nationalistic response to the oil embargo of November 1973—Operation Independence and end-runs to Tehran to assure national supplies of Iranian oil—has subsided without doing particular damage. But the world is far from agreement on a system, accepting it as legitimate, and responding to the cajoling or arm-twisting of a leader-enforcer. Moreover, the United States is the only candidate for the role visible on the horizon, and whether this country would be willing or acceptable—absent the charisma of a Roosevelt or a Kennedy—is very much in question.

What might such a system consist of? To a conventional liberal economist, the answer is relatively straightforward. It should be a market system on the whole, but with market solutions modified when they become intolerable, i.e., when goods are very scarce or so abundant as to threaten livelihoods. This does not mean commodity agreements so much as some provision for stocking grain against a repetition of 1974, some industrial materials stockpiling, but primarily international action to maintain world income in depression. Tariffs or quotas would be acceptable only on a disappearing basis, to moderate but not to forestall adjustment. A multilateral agency would be established on the multinational corporation, not to handle compensation for nationalization problems, on which no meeting of minds is likely, but to cope with questions of antitrust, trading with the enemy (whether the policies of one country in this area may intrude into another through foreign subsidiaries of domestic corporations), double taxation, tax evasion, corruption and the like. The OECD is the obvious locus of such an agency today, but it should be open to other countries, as they perceive it in their interest. The OECD should also be the setting for coordination of macroeconomic policies, once discussed by Working Party No. 3, but lately fallen into desuetude. DAC in the OECD should continue to preside over aid, though the function needs a greater stimulus than the example-setting efforts of Sweden, Norway and Canada seem to provide.

The most sensitive area is that of money. At the moment, fixed exchange rates have been rejected in favor of flexible exchange rates, but sentiment seems to favor such management of flexibility as approaches fixity. A return to the dollar standard, a return to the gold standard, or the development of a full-blown SDR standard each seems unlikely. The Eurocurrency and the Eurobond markets are private organizations, escaping national and international restraint. Darwinian

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

evolution seems inescapable in this field, and is perhaps superior to Bretton Woods planning. It is possible, and even probable, that ad hoc international management of the Eurodollar and Eurocapital markets through combined open-market operations, led perhaps by the Bank of International Settlements, will provide the stability needed. In any event, the evolution is toward the internationalization of monetary policy. Monetary autonomy, like national military security, is a will-o'-the-wisp in an interdependent world.

In all these matters, it is useful to think of normal management of the system, and crisis management. Those in trouble will think the system always in crisis. This view must be resisted. Yet the rules applicable to market forces, discrimination, exchange control, foreign aid and the like which hold in normal times may have to be set aside in a true crisis. This poses a dilemma. Readiness of the system to cope with crises reduces discipline in normal times and increases the frequency of trouble. The knife-edge must be negotiated.

The United States must be prepared to contribute to the public good of management of the international economic system in the long run, and to respond to crises, applying different rules and standards to each, striving not to let the one corrupt the other. That is difficult enough. This country must at the same time associate the other nations of the world in this task in ways that are not subject to entropy and decay. It is a tall order.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

COMMENT AND CORRESPONDENCE

THREE VIEWS ON THE CRUISE MISSILE

To the Editor:

In his article "The Cruise Missile: The End of Arms Control?" in your October issue, Alexander Vershbow reviews several arguments concerning the impact of the U.S. cruise missile on superpower strategic arms control and argues that, among other things, the program should be halted. This conclusion, however, should be judged in the light of his questionable analysis of the cruise missile issue. Specifically, four problems stand out in Mr. Vershbow's article:

(1) While he correctly notes that the cruise missile designs now under development in the United States will have the effect, if deployed, of blurring traditional distinctions between "strategic" and "tactical" weapons, he fails to fully pursue the logical conclusion of this development. He notes that while, in theory, it might be possible to distinguish between different versions of the missile, in practice this might prove impossible. As a result, a U.S. decision to limit these systems at SALT or to unilaterally halt their production will not only restrict their use as strategic weapons but will inevitably restrain their uses in other roles. For the United States, this means that opportunities to modernize tactical capabilities in Europe or in Asia or at sea would be foreclosed by stopping the cruise missile.

As Mr. Vershbow points out, the United States might be willing to pay this price in order to cement a more stable strategic relationship with its superpower rival. But it is important to recognize that a decision to forego an opportunity to strengthen regional defenses cannot be taken in a superpower vacuum; halting the cruise missile program would most certainly have important consequences for U.S. allies. Cruise missiles and other new multi-role technologies do more than simply introduce new complexities into superpower calculations at SALT. They make it increasingly difficult to dissociate U.S.-Soviet strategic calculations from wider East-West military considerations. As a result the United States is forced to confront a difficult conceptual choice: on the one hand, it can give priority to consolidating relations with the Soviet Union by halting the cruise missile and accept the consequences for Alliance disruption; alternatively, the United States can emphasize Alliance cohesion and move forward with the cruise missile at the expense of a strategic understanding with the Soviet Union.

In real terms, this is not as simple a choice as it appears. In the short term, the Europeans and other allies will remain dependent on U.S. nuclear power, so it might be argued that the United States can afford to sacrifice Alliance interests to stabilize strategic relations with the Soviet Union. But in the longer term, there are other options open to U.S. allies. A decision by the United States to forego the opportunity to strengthen regional defenses could spur allies to develop their own strategic and tactical cruise missile capabilities—the very outcome that Mr. Vershbow seeks to avoid.

(2) Mr. Vershbow argues that the cruise missile is the product of a variety of different institutional considerations, including interservice rivalry. However, the interesting bureaucratic question attached to the cruise missile is not why it is now under development by the services, but why the services didn't rally around the concept far sooner. It is ironic that the new technologies encompassed by the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cruise missile have been developed in the United States, for it is in the U.S. defense establishment (more than in Europe or the Soviet Union) that the cruise missile concept has traditionally met with most resistance. Although the Air Force and the Navy now have cruise missile designs under development, both services face troubling questions about the impact of their deployment on existing roles and equipment. The Air Force has long placed the strategic bombing mission at the top of its list of preferred tasks, with manned "penetrating" bombers like the B-52 as its chosen instrument for fulfilling this mission. Thus, the Air Force, while content to see the cruise missile as a complement to the B-52 or the new B-1 bomber, strongly resists moves that would replace these aircraft with a smaller, less expensive fleet of "stand-off" aircraft armed with cruise missiles.

The Navy possesses a similar vested interest—the maintenance of large, multi-purpose carriers with advanced attack aircraft. Here, the threat to service interests is not posed by cruise missiles as strategic weapons, but by their potential use aboard smaller vessels to replace carrier-based airpower. This means that the choice presented by Mr. Vershbow—of either halting cruise missile development or handing them lock, stock and barrel over to the services—is too stark. Cruise missiles do appear to offer the opportunity for doing away with increasingly expensive and obsolete weapons and restructuring military forces in the process. But in order to achieve a maximum payoff from their deployment, it will be necessary to responsibly manage the exploitation of cruise missiles by the services.

(3) In discussing the impact of cruise missiles on the so-called nuclear "threshold," Mr. Vershbow appears caught in a dilemma. He argues that conventionally armed cruise missiles might replace nuclear weapons in some roles and this might work to raise the nuclear threshold. However, he also notes that cruise missiles might be adapted for use with small nuclear weapons and that would have the effect of lowering the nuclear threshold. The central problem here is Mr. Vershbow's assumption that doctrinal decisions somehow inhere in the character of weapons technology. In this, he is partially correct: large, inaccurate missiles are little suited for anything but strikes against urban and industrial targets. But the tremendous flexibility facilitated by precision-guidance techniques will enable the political leadership to exercise greater freedom in determining when, where and how nuclear weapons will be used. The cruise missile will not inevitably raise or lower the nuclear threshold; this will depend on judgments taken by the President in consultation with allies. Nor will the cruise missile resolve the enduring tension between strategies based on deterring nuclear war and those designed to limit it should deterrence break down. But in providing political authorities with an expanded range of choices, new technologies will at least ensure that political decisions will not be constrained by an overly limited range of choices.

(4) In his concluding section, Mr. Vershbow notes that while the military and financial rationales for the cruise missile may be persuasive, from the perspective of arms control there can be no justification for going ahead with the cruise missile. This is a curiously detached view of the nature of arms control. What is arms control about if it is not concerned with enhancing military stability and saving money? Because developments like the cruise missile have created problems for negotiators at SALT, it is tempting to conclude, as does Mr. Vershbow, that the solution lies in exercising restraint in the deployment of new weapons. But the cruise missile does not as much threaten arms control objectives as it does existing arms control institutions. The problem is not that technological change will create

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

greater instability, new incentives to escalate in time of war or vast increases in defense budgets—in most cases, the exploitation of cruise missile technology will have just the opposite effect. Instead, the problem is that SALT is built upon assumptions concerning the character of military technology that are on the verge of becoming obsolete.

Thus, a compelling case can be made for redefining the boundaries of East-West arms control in order to accommodate new military capabilities and changing political interests. Mr. Vershbow's alternative—declaring a moratorium on new weapons developments—might not only precipitate major problems with U.S. allies, but it could accelerate the process of nuclear proliferation. In many respects, earlier technological developments, like the ballistic missile submarine, led to the development of a more stable strategic relationship between the superpowers. Other developments, such as reconnaissance satellites, have actually facilitated the negotiation of arms control agreements. The adoption of a Luddite attitude toward new military technologies, rather than the technologies themselves, is more likely to spell the end of arms control.

RICHARD BURT
Assistant Director
International Institute for Strategic Studies
London

To the Editor:

Having carefully studied Alexander Vershbow's article in your October issue, I believe a rejoinder is warranted on several points.

First, the author states that the cruise missile puts the immediate future of SALT at risk. He goes on to say that it makes the distant prospects for arms control even more bleak. In my opinion, these sorts of concerns credit the cruise missile with far more impact than it deserves. For the institution of SALT to be jeopardized would seem to require a much more lethal weapon than the cruise missile. Even the highly touted villain of many arms controllers, the MIRV, failed to halt the process. The fundamental reason for this, of course, is that SALT has at least as much to do with political relationships as with strategic/military relationships. One can only speculate on what could terminate arms control efforts between the superpowers, but one must speculate in the large and not dwell on the small. I believe Bernard Brodie recently put the cruise missile issue in the proper perspective when he said: "the fate of ourselves and of the world is not going to hang on what we do or fail to do about some object like the cruise missile."

Second, the author charges the cruise missile with destabilizing characteristics, primarily because of its potentially high accuracy. Accuracy is, of course, an important element in figuring the strategic balance and it is indeed to be hoped that the cruise missile will prove to be highly accurate. But the essence of stability is *survivability*. If a weapon system can survive a first strike from the other side, it is not destabilizing, for it does not induce the other side to lunge for the button first. Current U.S. plans for the air-launched and sea-launched cruise missiles call for their use on the bomber and the submarine, both highly survivable. On such platforms, a cruise missile would not be destabilizing regardless of its accuracy. In addition, because of its slow flying speed (compared with the ballistic missile), the cruise missile is generally viewed as a second-strike weapon like the bomber and therefore a stabilizing element in the strategic equation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Third, the author believes that the cruise missile's low unit cost will lead to an acceleration of the "horizontal" spread of nuclear weapons—nuclear proliferation, in other words. It is a fact that the cruise missile is an inexpensive weapon. Its relatively low cost is an attractive feature in the real world of tough negotiation for each defense dollar. But a nation's decision to go nuclear is primarily a *political* decision. It is not based to any great extent on cost-analysis or the availability of inexpensive delivery vehicles. It is significant to point out that Algeria, Australia, Italy, Norway, Sweden, and Switzerland *inter alia* presently have cruise missiles but have managed to keep the genie in the bottle.

Finally, in his major argument, the author asserts that the United States should unilaterally halt the development of the cruise missile because of its alleged impact on arms control. I believe this policy recommendation is extremely ill advised. In the first place, a unilateral action (by definition) takes place without a corresponding reaction from the adversary. There may be a *hope* that a favorable response would be forthcoming, but it is only a hope. By definition, therefore, a unilateral U.S. armament reduction will result in a diminution of U.S. strength relative to the U.S.S.R. During the present era of rapidly growing Soviet strategic strength, it is inappropriate for the United States to unilaterally renounce a weapon system that could be used to partially redress the approaching imbalance. It likewise does not make sense to unilaterally renounce what is apparently one of the useful bargaining levers available to the United States at SALT. In addition, it seems to me that unilaterally giving up the cruise missile because of its alleged adverse impacts on arms control puts the cart before the horse. Arms control is merely a means to the end of greater international and national security. It is not an end in itself.

Lt. Colonel John J. Wolcott, USAF
Military Fellow
Council on Foreign Relations

To the Editor:

Mr. Vershbow's article on the cruise missile in your October issue failed to examine fully the *existing* Soviet capability, as well as the historic Soviet initiative in the development of military hardware.

According to unclassified sources, the SS-N-7 and SS-N-9 cruise missiles are currently deployed aboard Soviet second-generation nuclear attack submarines. Both are Mach 1+ missiles, with maximum ranges nominally to 150 miles. Further advances with the SS-N series indicate the deployment of a Mach 4 missile with a nominal range of 400 miles. It is reasonable to assume that all those missiles are interchangeably conventional/nuclear. Indeed, so serious is this that the U.S. Navy is devoting much of its defense planning to this advanced supersonic cruise missile threat. Both the tactical Harpoon system and the SLCM system are designed to counter Soviet abilities.

It is naïve to assume that the Soviets will voluntarily restrict their development of advanced military capabilities if we do the same. The amazing rise of the Soviet Navy, with its unmistakable emphasis on the ability for offensive sea-denial and power projection ashore in a period of obvious decline of the U.S. Navy is a clear indication of the Soviet intention to continue development of its abilities until an assured strike/survival ability is reached.

The deployment of the "C" and "P" class submarines, new amphibious ships,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and the Backfire aircraft in long-range roles, and the development of the *Kiev*-class aircraft carrier are milestones in the development of versatile naval offensive capabilities. The development and deployment of advanced strategic missions and associated new cruise missile capabilities are obvious even to Western observers. Mr. Vershbow's characterization of the Soviet military as an organization armed with obsolete weapons forced, by an energetic U.S. arms policy, to develop new weapons is simply invalid.

There is a fine line between an arms race and the "legitimate" development of new capabilities to keep pace with advanced technology. The postwar period is strewn with too many cases where the United States declined to develop a capability (domestic civil defense, SLCMs, advanced surface warships and advanced bombers) on the assumption that it was unnecessary due either to other U.S. capabilities or the lack of Soviet counter-capability. In most instances, the later Soviet development of an identical system proved the fallacy of U.S. planning.

As many scholars have taught, a nation must draw upon history for a projection of the future. The lessons of modern and contemporary history dictate that the United States ensure its military-politico-economic survival with a strong, modern force entirely capable of defense and, if necessary, strike and survival. The development of the cruise missile is but a logical application of this philosophy.

LIEUTENANT JOSEPH WILLIAM GLASS, USN
Charleston, S.C.

Mr. Vershbow replies:

There are fewer differences between Mr. Burt's point of view and my own than his letter would suggest. In fact, many of the points I made in my article were first raised by Mr. Burt in his seminal piece on cruise missiles ("The Cruise Missile and Arms Control," *Survival*, January/February 1976), to which I referred.

I fully agree that a U.S. decision to halt the cruise missile program will foreclose certain options for modernizing NATO defenses. However, the question I attempted to raise was this: Are the improvements in NATO tactical forces offered by the cruise missile so significant that it is worth upsetting the fragile, tortuously constructed SALT institutions? In my view, improving other segments of NATO's tactical forces—in ways that would not blur the admittedly arbitrary, but nevertheless convenient distinctions between "strategic" and "tactical"—would be more desirable and fully adequate. Moreover, I would argue that, given the current political situation, it is unlikely—not only in the short term, but also in the longer term—that America's European allies will abandon the U.S. nuclear umbrella and develop their own tactical and strategic cruise missile capabilities. The Europeans have never been interested in bolstering their war-fighting capacity, since they expect any war in Europe to escalate to the nuclear level—in which case the U.S. strategic arsenal will be determinant. Therefore, I am more optimistic about the chances for success of U.S. restraint in cruise missile development.

With respect to Mr. Burt's second point, I have no argument. The purpose of my article was not to trace the cruise missile's bureaucratic implications, but to assess its impact.

In the case of Mr. Burt's third point, I would disagree not so much with his analysis as with his conclusion. Of course it is political judgments that will determine whether or not the cruise missile changes the nuclear threshold. However, I would contend that it is precisely the "great freedom" that the cruise missile gives

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for "determining when, where, and how nuclear weapons will be used" that blurs the threshold, and that this is dangerous. Cruise missiles may increase the range of options, and in this respect perhaps help avert the outbreak of nuclear war; but at the same time they may increase the temptation to use nuclear weapons or, alternatively, make it less morally distasteful to attack (by making strategic strikes more feasible with conventional warheads).

Finally, in response to Mr. Burt's fourth set of objections, the prospects that the cruise missile will save money—while likely in the short run (for example, if the B-1 is abandoned in favor of upgrading B-52s with ALCMs)—are certainly illusory in the long run if one considers the inevitable Soviet countermeasures to which we will have to respond. Second, while I did not mean to suggest that arms control is an objective in itself rather than a means to the end of "military stability," I oppose the cruise missile precisely because it threatens the achievement of that end by jeopardizing the means to it. Given today's high force levels, it is not likely that cruise missiles would totally upset the basis of "crisis stability," the certainty of "mutual assured destruction," since cruise missiles do not pose a threat to the survivability of either side's central strategic systems. Still, the ambiguities introduced by the cruise missile, as I emphasized in my article, would increase the chances of miscalculation and accidental war. Moreover, if the presently high ceilings are lowered at SALT III or IV, the unrestricted, strategic-capable cruise missile—now perceived as a second-strike threat—will emerge as a first-strike threat, albeit a second-best system. The deleterious effect of the cruise missile on the other aspect of military stability, "arms race stability," is more clear-cut. By itself, the cruise missile may stimulate an acceleration of the arms race into new qualitative directions, and this could lead to an imbalance of forces. And by rendering existing arms control institutions obsolete, the cruise missile could lead to a renewal of unrestrained competition in those areas of military technology upon which the two sides have managed to get a grip. Thus, by threatening arms control *institutions,* the cruise missile makes arms control *objectives* more difficult to achieve.

While I fully agree with Mr. Burt that it would be preferable to "redefine the boundaries of East-West arms control" so as to accommodate attractive new technologies that do not fit into traditional categories, I do not see *how* this can be achieved. Because of the verification problems, no one has yet come up with a way to successfully control the cruise missile. (Perhaps the burden should be on the Soviets—who stand to be the short-term losers in a cruise missile race—to make major concession on verification.) I am not opposed to the development of those new technologies that can contribute to strategic stability, maintain opportunities for arms control, and perhaps save money. It's just that the cruise missile does not meet these requirements.

Colonel Wolcott raises some objections similar to Mr. Burt's, as well as some new ones. Regarding the cruise missile's "insignificance," I would agree that SALT could go on interminably without coming to grips with the new system. The point of my article is that SALT would lose much of its meaning if the cruise missile were left unrestrained, because of its strategic potential and the ambiguities which it introduces into strategic calculations.

With regard to nuclear proliferation, I do not maintain that the availability of an inexpensive delivery system is *the* determining factor in a nation's decision to go nuclear. However, in the case of certain "threshold" states—particularly those

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in tension-filled regions where there is a reason to want nuclear weapons—the lack of such delivery systems may be the only obstacle, and cruise missile proliferation would eliminate it. Moreover, those countries referred to by Colonel Wolcott may have cruise missiles, but ones of a qualitatively different type (in terms of size and range) than the advanced cruise missiles to which my article was devoted.

Finally, in response to both Colonel Wolcott and Lieutenant Glass, I would argue that U.S. deployment of the advanced ALCM and SLCM—with range, accuracy and penetrability far superior to any Soviet cruise missile system—would not so much redress an imbalance as create a new one, and thus stimulate a new escalation in the arms race. There are other ways of responding to the Soviet naval build-up and cruise missile threat that would inflict much less damage on the delicate arms control process, which is a necessary means to the necessary end of international security. While I am not, as a rule, a believer in the religion of unilateral disarmament, I see no other way out of the arms control dilemma posed by the particular case of the cruise missile.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

Edward L. Morse

THE PARALYSIS OF INTERNATIONAL INSTITUTIONS AND THE REMEDIES. By István Bibó. New York: Halsted, 1976, 152 pp. $17.50.

A provocative essay by a Hungarian intellectual, Minister of State during the 1956 Revolution, which convincingly analyzes the need for international institutional mechanisms to provide a just world order based on democratic principles. His conclusions—that new approaches to great-power understandings and impartial international arbitration are urgently required—raise more questions than they answer.

NATIONALISM: THE NATURE AND EVOLUTION OF AN IDEA. Edited by Eugene Kamenka. New York: St. Martin's, 1976, 135 pp. $12.95.

THE NATION-STATE AND THE CRISIS OF WORLD POLITICS. By John Herz. New York: McKay, 1976, 307 pp. $4.95 (Paper).

DAS SELBSTBESTIMMUNGSRECHT DER VOLKER. By Daniel Thürer. Bern: Stämpfli, 1976, 256 pp.

VARIETIES OF NATIONALISM: A COMPARATIVE STUDY. By Louis L. Snyder. New York: Holt, Rinehart and Winston, 1976, 326 pp. $12.95.

Nationalism remains a predominant factor in the contemporary transnational and interdependent world. Kamenka's edited volume includes essays by some of the most creative analysts of modern politics. Herz's book compiles articles he wrote over a 30-year period, including his now classic essay on the evolution of the territorial state. Thürer's historical and analytical study surveys the sociology and law of the self-determination of peoples from the 1770s to the 1970s. Snyder's historical and classificatory survey synthesizes the thoughts of one of the most prolific writers on the subject and is a handy introduction. None discusses the bases of economic nationalism, the analysis of which is central to the understanding of today's international system.

MODERNIZATION AND THE TRANSFORMATION OF INTERNATIONAL RELATIONS. By Edward L. Morse. New York: Free Press, 1976, 203 pp. $10.95.

Foreign policies, the values that go into them, and the international system itself are very different from those assumed when the Peace of Westphalia shaped the world. But there is no new consensus: practice lags behind perception, and paradoxes imperil prediction. The resulting instability is a force for change but what it will lead to remains a puzzle. This comprehensive and well-argued essay brings these themes into sharp focus and should stimulate much thought. W.D.

THE LAW OF THE SEA: U.S. INTERESTS AND ALTERNATIVES. Edited by Ryan C. Amacher and Richard James Sweeney. Washington: American Enterprise Institute, 1976, 196 pp. $9.00 (Paper, $4.00).

NOTE—BY SPECIAL ARRANGEMENT WITH THE MCGRAW-HILL BOOKSTORE, READERS OF FOREIGN AFFAIRS MAY OBTAIN NEARLY ANY BOOK PUBLISHED IN THE UNITED STATES AT THE PUBLISHER'S REGULAR LIST PRICE. WITHIN THE U.S., PLEASE ADD 45¢ PER BOOK FOR POSTAGE PLUS APPROPRIATE SALES TAX. IF OUTSIDE, PLEASE ADD $1.50 PER BOOK FOR POSTAGE AND 95¢ PER ORDER FOR REGISTRATION. SEND ORDERS WITH CHECK OR MONEY ORDER TO: THE MCGRAW-HILL BOOKSTORE, 1221 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10020.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SEABED POLITICS. By Barry Buzan. New York: Praeger, 1976, 311 pp. $20.00.

Few topics have received as much recent attention as the preparation and proceedings of the apparently paralyzed Third United Nations Conference on the Law of the Sea. Amacher and Sweeney have edited the papers of a conference held almost two years ago at the American Enterprise Institute. The essays represent the analytic wisdom of expert observers of and participants in the U.N. Conference and summarize current debate in the U.S. Buzan's longer study also concludes in winter 1974–75 and places the political and legal issues in a wider historical context.

POLITICAL TERRORISM: THE THREAT AND THE RESPONSE. By Francis M. Watson. New York: McKay, 1976, 248 pp. $10.00.

Watson culls some of the most significant primary studies on the sources of this tactic of protest and change today, and synthesizes the dilemmas posed for open societies in maintaining public order without unduly intruding on individual liberty. Although the discussion of potential nuclear terrorism is somewhat weak, the book offers a good summary for the non-specialist.

SMALL STATES AND SEGMENTED SOCIETIES: NATIONAL POLITICAL INTEGRATION IN A GLOBAL ENVIRONMENT. Edited by Stephanie G. Neuman. New York: Praeger, 1976, 238 pp. $16.50.

These essays strive to understand the domestic and external factors which feed into ethnic conflicts. The discussion of ways to protect group autonomy and identity is thin, and although the various authors have tried to keep their questions similar in order to facilitate cross-cultural comparisons, they do not always succeed. An essay on the German Democratic Republic, along with essays on Southeast Asia, Yugoslavia, Zaïre, Pakistan and Cyprus, provide some useful insights.

MANAGING INTERSTATE CONFLICT 1945–1974: DATA WITH SYNOPSES. By Robert Lyle Butterworth with Margaret E. Scranton. Pittsburgh: University of Pittsburgh Center for International Studies, 1976, 519 pp. $16.95 (Paper, $6.95).

Narrative and coded data are presented with bibliographic information for 310 instances of international conflict over the 30-year, post-World War II period. A reference book for basic information on major and minor clashes, this volume's coded information should also be valuable for those wishing to test hypotheses concerning how conflicts can be mediated and managed.

POLICY ANALYSTS IN THE BUREAUCRACY. By Arnold J. Meltsner. Berkeley: University of California Press, 1976, 320 pp. $10.00.

STRUCTURE OF DECISION: THE COGNITIVE MAPS OF POLITICAL ELITES. Edited by Robert Axelrod. Princeton: Princeton University Press, 1976, 404 pp. $25.00 (Paper, $9.95).

Policy analysis has become something of a profession in the past 15 years as schools of public policy have tried to compete with business and law schools in training administrators for local, state and federal bureaucracies. Meltsner's readable study is representative of what these new schools teach, and shows that it is easier to describe a policy analyst's multiple roles than to provide how-to-do-it training. Axelrod's edited collection includes perhaps the best examples of the current state of the "scientific" study of policy decision-making.

INTERNATIONAL ORGANISATIONS: YEARBOOK 1975. Edited by Avi Shlaim. Boulder (Colo.): Westview Press, 1976, 228 pp. $27.50.

THE YEAR BOOK OF WORLD AFFAIRS 1976. Edited by George W. Keeton and Georg Schwarzenberger. Boulder (Colo.): Westview Press (for the London Institute of World Affairs), 1976, 347 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Yearbooks are curious, perhaps anachronistic, items for bibliographers and scholars. Unlike "annual surveys," they are not synopses of a year's events, but rather try to place significant events in a broader context. The first of these yearbooks is a new addition to this genre and includes eight essays summarizing the state of the discipline of international organization or the development of major regional bodies. The second is the 30th volume of a once-prestigious publication whose gradual decline reflects the difficulty of compiling such reference books.

LAW AND PUBLIC ENTERPRISE IN ASIA. INTERNATIONAL LEGAL CENTER. New York: Praeger, 1976, 421 pp. $27.50.

The legal contexts in which public enterprises operate, and the roles of public enterprise and the legal framework in national development, are examined in India, Indonesia, Malaysia and Sri Lanka. These proceedings of a 1974 colloquium held in Sri Lanka provide an incomplete but important survey of facts and reference materials on one of the major issues in economic development.

General: Military, Technological, and Scientific

Andrew J. Pierre

LA FRANCE ET LA DÉFENSE DE L'EUROPE. By FRANÇOIS DE ROSE. Paris: Seuil, 1976, 121 pp.

A fresh and important contribution to the ongoing debate (stirring especially in France) on European defense and its American connection. The author speaks with authority, having been French Ambassador to NATO (1970–1975) and previously intimately involved with the political aspects of France's *force de frappe*. Now retired from government service, he defines with knowledge and subtlety a French policy which, without giving up independence of decision-making authority, would permit closer cooperation within the Atlantic Alliance and increased momentum toward a common European defense.

THE SOVIET-AMERICAN ARMS RACE. By COLIN S. GRAY. Lexington (Mass.): Lexington Books, 1976, 196 pp.

Perhaps the most iconoclastic of a new generation of strategic thinkers, the author challenges widely held assumptions about the arms race. Eschewing a simple action-reaction spiral, he identifies eleven major factors which drive an arms race and six patterns of interactions among competitive states. In a work that must be taken seriously, even by those who may not be persuaded, Gray questions many of the "truths" about the undesirability or uniqueness of the Soviet-American strategic arms competition, seeing it more as part of the normal warp and woof of international politics.

THE DYNAMICS OF DETENTE: HOW TO END THE ARMS RACE. By ARTHUR MACY COX. New York: Norton, 1976, 256 pp. $8.95.

A trenchant critique of the controversy over détente of recent years, with the spotlight on the Washington debate between Kissinger and Schlesinger *cum* Jackson. The author believes that the present Soviet leadership is ready for further arms control agreements but that first the U.S. needs to re-order its defense concepts and programs.

THE JOINT CHIEFS OF STAFF: THE FIRST TWENTY-FIVE YEARS. By LAWRENCE J. KORB. Bloomington: Indiana University Press, 1976, 210 pp. $10.95.

A balanced survey of the JCS—the men who have been selected, their role as planners and budgeters, their performance in military operations. Korb rejects two popular views: that they dominate U.S. defense policy, or that they are weak and ineffectual. He does, however, fault the Chiefs for allowing themselves to be intimidated by political leaders and for being insufficiently innovative. An original and needed contribution to the existing literature on the defense establishment.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ON THE PSYCHOLOGY OF MILITARY INCOMPETENCE. By Norman F. Dixon. New York: Basic Books, 1976, 448 pp. $12.50.

A bold yet serious examination of military leadership by a British psychologist. "Bloody foolish" generals, he argues, reach the higher ranks of the military hierarchy through excessive obedience and fear of failure—traits which serve them badly in dealing with the leadership of combat forces.

ECOLOGICAL CONSEQUENCES OF THE SECOND INDOCHINA WAR. By the Stockholm International Peace Research Institute. Stockholm: Almqvist & Wiksell, 1976, 119 pp. (Atlantic Highlands, N.J.: Humanities Press, distributor, $19.25).

Although technical in its analysis, this book, written by an American professor of botany, Arthur H. Westing, asserts some troubling facts such as that 26 percent of South Vietnam was carpeted with deep bomb craters by B-52s. Dealing with the effects of high explosive munitions, anti-plant chemicals, large-scale land clearings and more, the book has policy implications for current efforts in Geneva to negotiate controls on environmental modification as a means of warfare.

LA SCIENCE ET LE MILITAIRE. By Georges Menahem. Paris: Seuil, 1976, 317 pp. Fr. 45.

Despite some questionable assumptions regarding the extent to which scientific research is driven by military requirements, interesting and rare insights are to be found here regarding the military-bureaucratic-industrial complex in France.

ON REVOLT: STRATEGIES OF NATIONAL LIBERATION. By J. Bowyer Bell. Cambridge: Harvard University Press, 1976, 272 pp. $15.00.

Bowyer Bell's writings on revolutionary war have been characterized by his extensive travels and on-the-spot observation of liberation movements and their leaders. This wide-ranging book which discusses the Mau Mau in Kenya, the EOKA in Cyprus, and the IRA in Ireland, among several other groups, is noteworthy less for its originality than for its depth of detail.

HISTORICAL DIMENSIONS OF NATIONAL SECURITY PROBLEMS. Edited by Klaus Knorr. Lawrence: University Press of Kansas, 1976, 387 pp. $6.95 (Paper).

Concepts such as "threat perception," "war limitation," "alliance management" and the like have a contemporary ring. This is a series of scholarly essays which admirably provide a historical perspective to such concepts.

THE ACCIDENT HAZARDS OF NUCLEAR POWER PLANTS. By Richard E. Webb. Amherst: University of Massachusetts Press, 1976, 228 pp. $6.95 (Paper).

This study of possible malfunctions of nuclear reactors, written by a nuclear engineer with AEC experience, comes to the controversial conclusion that because the risks of accidents have not been adequately examined, civilian nuclear reactors should be shut down, and a moratorium placed on the construction of new plants until society fully evaluates the balance of risks and benefits in the nuclear program.

NUCLEAR POWER: DEVELOPMENT AND MANAGEMENT OF A TECHNOLOGY. By Frank G. Dawson. Seattle: University of Washington Press, 1976, 320 pp. $20.00

With nuclear energy increasingly a subject of debate, this well-researched and clearly written history of the development of nuclear power in the United States, by the head of the Battelle Institute Energy Program, makes a valuable contribution.

THE POVERTY OF POWER: ENERGY AND THE ECONOMIC CRISIS. By Barry Commoner. New York: Knopf, 1976, 314 pp. $10.00.

A forceful statement by a well-known environmentalist which seeks the connections between environmental degradation, energy shortages and economic decline. The fault, he finds, is in the capitalist system, but few remedial proposals are offered.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SOLAR ENERGY: THE AWAKENING SCIENCE. By Daniel Behrman. Boston: Little, Brown, 1976, 408 pp. $12.50.

A lay reader's tour of the world of solar energy—the experimental stations designed to harness the sun's heat, the houses which are heated by the sun, and the dedicated pioneers committed to its use. Well written, without technical jargon, by a science writer.

NAVAL POLICY BETWEEN THE WARS. VOLUME II: THE PERIOD OF RELUCTANT REARMAMENT 1930–1939. By Stephen Roskill. Annapolis: Naval Institute Press, 1976, 252 pp. $19.50.

This second volume, like the first, is written with mastery of detail from a wealth of original sources, a superb feel for naval matters based upon personal experience, and an ability to make firm historical judgments. Captain (and historian) Roskill's account deals at length with both the interwar naval disarmament conferences and the events that led to naval rearmament.

General: Economic and Social

William Diebold, Jr.

THE ARENA OF INTERNATIONAL FINANCE. By Charles A. Coombs. New York: John Wiley, 1976, 243 pp. $12.95.

This is one of the most interesting books on international economics to appear in years. As the Federal Reserve Bank official who bought and sold dollars in world markets from 1961 to 1975, Coombs was on the frontier of some remarkable events. He combines history, memoir and economic analysis to provide a vivid inside view that is probably unique in the literature of central banking. Basically discreet, the book is also very critical of the methods and policies that led to the "unnecessary degradation of the dollar."

THE POVERTY CURTAIN: CHOICES FOR THE THIRD WORLD. By Mahbub ul Haq. New York, Columbia University Press, 1976, 247 pp. $12.50 (Paper, $5.95).

A gifted Pakistani official of the World Bank has produced one of the best books on the New International Economic Order. Growth, aid, the environment, bargaining power and development strategies are all treated with sophistication combined with vigorous advocacy of new approaches. Three passages describing the evolution of the author's thinking are exceptionaliy good.

THE TWILIGHT OF CAPITALISM. By Michael Harrington. New York: Simon and Schuster, 1976, 446 pp. $10.95.

To rescue "degraded" Marxism from the Marxists and anti-Marxists is a valuable service. To save it from Marx and Engels is harder. But, helped by Hegel, Harrington is always absolutely clear about why he believes he knows what Marx really meant. Then his Marxism—not monistic, deterministic or altogether materialistic—is used to produce a "secret history" of the capitalist crisis of the 1970s that is less original than the rest of this stimulating work.

TECHNOLOGY TRANSFER AND U.S. FOREIGN POLICY. By Henry R. Nau. New York: Praeger, 1976, 325 pp. $22.50.

TRANSFERS OF MANUFACTURING TECHNOLOGY WITHIN MULTINATIONAL ENTERPRISES. By Jack H. Behrman and Harvey W. Wallender. Cambridge: Ballinger, 1976, 308 pp. $20.00.

Two useful contributions to a disputed subject. A framework of policy motives and mechanisms and different types of technological exports, plus four interesting case studies, make up the volume by Professor Nau and his teams of graduate students.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Behrman and Wallender use Ford, ITT, Pfizer and Motorola to describe in detail how affiliates of large enterprises get technological help not easily obtainable by others.

THE INTERNATIONAL MONEY GAME. By Robert Z. Aliber. New York: Basic Books, 2d exp. ed., 1976, 312 pp. $11.50 (Paper, $4.95).

Lively, highly readable and very comprehensive explanation of international finance and why "the money-producing industry is like the soda pop industry" (pre-Jamaica).

INTERNATIONAL MONETARY REFORM AND THE DEVELOPING COUNTRIES. By William R. Cline. Washington: Brookings, 1976, 126 pp. $9.95 (Paper, $3.50).

Remarkably comprehensive for its length, this analysis tells LDCs they have more to gain from flexible rates than they thought and less from "the link" than they hoped.

MULTINATIONALE KONZERNE UND DRITTE WELT. Edited by Dieter Senghaas and Ulrich Menzel. Opladen: Westdeutscher, 1976, 305 pp. DM. 49.

THE MULTINATIONAL CORPORATION AND SOCIAL CHANGE. Edited by David E. Apter and Louis Wolf Goodman. New York: Praeger, 1976, 234 pp. $16.50 (Paper, $5.95).

INTERNATIONAL BUSINESS POLICY AND ADMINISTRATION. Edited by John Fayerweather. Hastings-on-Hudson (N.Y.): The International Executive, 1976, 400 pp. $6.00 (Paper).

The Germans tend to see the multinational corporation as damaging the Third World. The mostly professorial contributors to the Apter and Goodman volume see more varied possibilities, while the 237 summaries taken from John Fayerweather's journal cover an extraordinary range of issues.

OIL RESOURCES: WHO GETS WHAT HOW? By Kenneth W. Dam. Chicago: University of Chicago Press, 1976, 193 pp. $11.95.

Interesting comparison of oil lease auctioning in the U.S. with direct government allocation as practiced in Norway and Britain.

INTERNATIONAL TRADE UNDER COMMUNISM. By Franklyn D. Holzman. New York: Basic Books, 1976, 238 pp. $10.00

An excellent survey of the problems and possibilities of foreign trade in centrally planned economies. A veteran student of the subject, Holzman marshals the whole of postwar experience to make his points about relations within COMECON and between socialist countries and the rest of the world.

SOCIAL CONSEQUENCES OF MODERNIZATION IN COMMUNIST COUNTRIES. Edited by Mark G. Field. Baltimore: Johns Hopkins, 1976, 277 pp. $14.50.

"Guided or directed or managed modernization" is different from the non-communist brand. But how different? And what happens in the process to the party that directs the modernization? These papers have some careful and some stimulating answers to suggest.

SCARCITY AND CONTROL IN SOCIALISM: ESSAYS ON EAST EUROPEAN PLANNING. By Phillip J. Bryson. Lexington (Mass.): Lexington Books, 1976, 202 pp. $16.50.

Informative studies in organization, pricing, investment and COMECON integration.

THE NEW INTERNATIONALISM: STRATEGY AND INITIATIVES FOR U.S. FOREIGN ECONOMIC POLICY. By Wilbur F. Monroe. Lexington (Mass.): Lexington Books, 1976, 238 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

From his post in President Ford's Council on International Economic Policy, the author perceives the need for a more comprehensive and integrated foreign economic policy than the U.S. has had. The specific proposals for moving in that direction cover a wide range of subjects.

GROWTH IN AMERICA. Edited by Chester L. Cooper. Westport (Conn.): Greenwood Press, 1976, 262 pp. $15.00.

An attractive collection of essays in which history, culture and religion join politics, economics and science in determining issues and choices.

PRIVATE FOREIGN INVESTMENT IN DEVELOPING COUNTRIES: A QUANTITATIVE STUDY ON THE EVALUATION OF THE MACRO-ECONOMIC EFFECTS. By H. C. Bos, Martin Sanders and Carlo Secchi. Boston: D. Reidel, 1976, 402 pp.

Careful, useful study of the best methods of measuring some highly controversial matters. Prepared for the OECD.

The United States

Gaddis Smith

SETTING NATIONAL PRIORITIES: THE NEXT TEN YEARS. Edited by Henry Owen and Charles L. Schultze. Washington: Brookings, 1976, 618 pp. $14.95 (Paper, $6.95).

Substantial, realistic recommendations for American foreign and domestic policies. The many authors provide no panaceas. In foreign affairs they see the greatest dangers in the Middle East, Eastern Europe and Korea, and call for a high but more efficient level of defense capability. Economic efficiency is the principal plea in domestic affairs. This volume replaces the annual analyses of the President's budget which have been a Brookings feature since 1970.

KISSINGER: THE EUROPEAN MIND IN AMERICAN POLICY. By Bruce Mazlish. New York: Basic Books, 1976, 332 pp. $10.95.

Bruce Mazlish is emerging as an outstanding practitioner of psychohistory and biography. This study is far more sophisticated and illuminating than his *In Search of Nixon* (1972). He applies psychoanalytical hypotheses to Kissinger without ignoring the external world or making exaggerated claims for his approach. A serious, readable book.

HENRY KISSINGER: THE ANGUISH OF POWER: By John G. Stoessinger. New York: Norton, 1976, 234 pp. $8.95.

A lean and laudatory study of the direct connection between Secretary Kissinger's ideas and his deeds by a noted scholar and friend. The author aims to counter the public's tendency to see Kissinger as a mythological hero or demon. Although somewhat similar to Stephen Graubard's *Kissinger: Portrait of a Mind* (1973), this work is more readable, less diffuse.

ROOSEVELT AND CHURCHILL 1939–1941: THE PARTNERSHIP THAT SAVED THE WEST. By Joseph P. Lash. New York: Norton, 1976, 528 pp. $12.95.

The major strands of this story have long been familiar, but the author adds many revealing and colorful details. As readers of his *Eleanor and Franklin* know, he writes superbly.

THE JOURNALS OF DAVID E. LILIENTHAL. VOLUME VI: CREATIVITY AND CONFLICT 1964–1967. New York: Harper & Row, 1976, 551 pp. $20.00.

A continuation of one of the richest published diaries of any contemporary American public figure. Some passages are a bit self-conscious, but the bulk of the material is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

enormously illuminating. The implicit theme is the difficulty of reconciling the author's ideas and projects for American assistance to developing countries with the stark reality of the Vietnam War.

HENRY WALLACE, HARRY TRUMAN, AND THE COLD WAR. By Richard J. Walton. New York: Viking, 1976, 356 pp. $12.95.

American leaders during the early years of the cold war sincerely believed that the imperatives of the confrontation with the Soviet Union required that dissent be rejected and discredited. Wallace was the most prominent and articulate dissenter. This study, based closely on Wallace's published diaries, is an impassioned and thought-provoking effort at rehabilitation.

THE EXECUTIVE, CONGRESS AND FOREIGN POLICY: STUDIES OF THE NIXON ADMINISTRATION. By John Lehman. New York: Praeger, 1976, 247 pp. $18.50.

Since the Presidency of George Washington, relative control over foreign policy has fluctuated between Congress and the Executive. The author believes in executive dominance. He studies and views with alarm the increase of congressional control which took place during the Nixon Administration.

UNITED STATES FOREIGN POLICY AND WORLD ORDER. By James A. Nathan and James K. Oliver. Boston: Little, Brown, 1976, 598 pp. $10.95 (Paper).

A superior eclectic blend of several theories of American behavior in an effort to "understand the American image of international reality" since 1945. This book would be an effective text in historically oriented college courses in American foreign policy.

POLICY-MAKING AND CRITICS: CONFLICTING THEORIES OF AMERICAN FOREIGN POLICY. By Cecil V. Crabb, Jr. New York: Praeger, 1976, 322 pp. $4.95 (Paper).

A brief commentary on the ideas of proponents and critics of the main approaches to American foreign policy: isolationism, containment, global community, neo-isolationism.

AMERICA AS AN ORDINARY COUNTRY: U.S. FOREIGN POLICY AND THE FUTURE. Edited by Richard Rosecrance. Ithaca: Cornell University Press, 1976, 276 pp. $9.75.

Ten American, French and British authors comment for a general audience on the fact that the United States is now first among equals in the international system; i.e., an "ordinary" nation, no longer capable of maintaining a Pax Americana. The essays are based on a lecture series at Cornell in 1975.

THE AFRO-AMERICAN AND THE SECOND WORLD WAR. By Neil Wynn. New York: Holmes & Meier, 1976, 183 pp. $18.50.

A study of the ways, more beneficial than otherwise, in which World War II changed the situation of black Americans: starting integration in the armed services and elsewhere; reducing the economic gap between white and black; raising black expectations; bringing about among many whites a reexamination of attitudes.

AMERICA IN AN INTERDEPENDENT WORLD: PROBLEMS OF UNITED STATES FOREIGN POLICY. Edited by David A. Baldwin. Hanover (N.H.): University Press of New England, 1976, 352 pp. $12.50 (Paper, $6.50).

Another competent collection of essays on the transformation of American foreign policy, the product of a faculty study group at Dartmouth. But the symposium mode is being overdone.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Western Hemisphere

Robert D. Crassweller

NATIONALISM, TECHNOLOGY AND THE FUTURE OF CANADA. Edited by Wallace Gagne. Toronto: Macmillan of Canada, 1976, 167 pp. $12.50 (Paper, $4.95).

The authors of these essays lament Canada's long failure to attain true independence. They seek the causes in fundamental technological conditions rather than in surface manifestations of foreign ownership or cultural influence. G.S.

CANADA AND THE THIRD WORLD. Edited by Peyton V. Lyon and Tareq Y. Ismael. Toronto: Macmillan of Canada, 1976, 342 pp. $18.95 (Paper, $8.95).

An excellent addition to the growing literature on the history of Canada's external affairs. The essays discuss Latin America, the Caribbean, the Middle East, South and Southeast Asia, Francophone and Anglophone Africa. G.S.

CANADA-UNITED STATES RELATIONS. Edited by H. Edward English. New York: Praeger, 1976, 180 pp. $15.00.

The literature on the related topics of Canada's search for identity and her relations with the United States is extensive and too often repetitious. But here is a set of up-to-date essays, particularly good in the areas of industrial relations, resources, and environmental control. G.S.

ONE CANADA: THE CRUSADING YEARS 1895–1956. By John G. Diefenbaker. Toronto: Macmillan of Canada, 1976, 289 pp.

Mr. Diefenbaker's simply written reminiscences of his six decades up to the eve of his becoming Prime Minister. The tone is that of a homespun statesman lecturing to political neophytes. G.S.

DIEFENBAKER: LEADERSHIP LOST 1962–67. By Peter Stursberg. Toronto and Buffalo: University of Toronto Press, 1967, 212 pp. $15.00.

The second volume in an oral history study of Canadian Conservative Party leader and Prime Minister John Diefenbaker—a leader here revealed as far more interesting and able than the public image suggested. G.S.

AN AMERICAN COMPANY: THE TRAGEDY OF UNITED FRUIT. By Thomas P. McCann. New York: Crown, 1976, 244 pp. $8.95.

The history of the legendary *Frutera,* with emphasis on the disasters that followed its acquisition by the Eli Black interests, is recounted by a former Vice President for Public Relations of the trouble-plagued two-billion dollar enterprise. The manner of telling is lively, intimate and candid.

THE AFRICAN EXPERIENCE IN SPANISH AMERICA: 1502 TO THE PRESENT DAY. By Leslie B. Rout, Jr. New York: Cambridge University Press, 1976, 276 pp. $23.95 (Paper, $6.95).

The author, a black historian, discovers and describes racial bias in Latin America—contradicting those glib generalizations that often gain acceptance through repetition. "In short, both Afro-Americans and Spanish-speaking blacks and mulattoes are striving to achieve a sense of self-liberation. . . ."

POWER, POLITICS AND PROGRESS: SOCIAL CHANGE IN RURAL PERU. By William Foote Whyte and Giorgio Alberti. New York: Elsevier, 1976, 307 pp. $15.00

Peasant movements, currents of change in rural communities, and the links between national and local development are subjected here to multi-disciplinary analysis that draws upon anthropology, history, economics and politics. The areas considered include Cuzco, Junín, and the Chancay Valley.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SQUATTERS AND OLIGARCHS: AUTHORITARIAN RULE AND POLICY CHANGE IN PERU. By David Collier. Baltimore: Johns Hopkins, 1976, 187 pp. $10.95.

Travellers arriving in Lima who are depressed and disillusioned by the dismal squatter communities rimming the city will be fascinated by this analysis of their function as safety valve, providing free land, rent, etc., and as a bridge to the national political structure. Serving such important needs, they receive elite and state support which is "essential though often covert."

CONTEMPORARY MEXICO: PAPERS OF THE IV INTERNATIONAL CONGRESS OF MEXICAN HISTORY. Edited by James W. Wilkie, Michael C. Meyer, and Edna Monzon de Wilkie. Berkeley: University of California Press, 1976, 875 pp. $27.50 (Paper, $12.00).

This is a substantial volume, containing 45 papers which are now unfortunately several years old (1973). The subject matter is diverse: history, politics, family, church, education, culture, demography, land reform, and three essays devoted to overviews. The authors are mainly from academe, but contributors from RAND and the Smithsonian Institution are also represented.

INCOME DISTRIBUTION IN LATIN AMERICA. Edited by Alejandro Foxley. New York: Cambridge University Press, 1976, 244 pp. $19.95.

That economic growth fails to achieve the desired redistributive objective is one of the conclusions of this assessment of industrial progress in the last decade, and its effect on money income and real consumption. For technically informed readers.

INCOME DISTRIBUTION IN COLOMBIA. By Albert Berry and Miguel Urrutia. New Haven: Yale University Press, 1976, 281 pp. $15.00.

This is another technically and statistically oriented study, focused on the year 1964 and directed to trends in agriculture and in the economy as a whole, as well as by sector. According to the authors, overall distribution "has probably not improved over the last 30 to 40 years," and has benefitted mostly the middle class.

PERSPECTIVES ON ARMED POLITICS IN BRAZIL. Edited by Henry H. Keith and Robert A. Hayes. Tempe: Arizona State University, 1976, 258 pp.

Organized violence in Brazilian history on the part of national and state governments is examined in this interesting work. The treatment is broadened to include such peripheral but relevant subjects as the influence of the Military Club, foreign military expeditions, and military class mystique.

SIZE, SELF-DETERMINATION AND INTERNATIONAL RELATIONS: THE CARIBBEAN. Edited by Vaughan A. Lewis. Kingston, Jamaica: Institute of Social and Economic Research, University of the West Indies, 1976, 358 pp. J$6.50 (Paper).

These essays, with their focus on the Commonwealth Caribbean (including the Windward and Leeward Islands) and Bermuda, explore the characteristic problems of small and tiny states, and in particular "the organization of polity and economy in the period of constitutional independence."

ARMY POLITICS IN CUBA, 1898–1958. By Louis A. Pérez, Jr. Pittsburgh: University of Pittsburgh Press, 1976, 240 pp. $9.95.

This welcome work fills the need for a serious analysis of the Cuban military in pre-Castro times. The author traces the origins of the army as the protector of the stability sought by the United States, the useful functions performed by the early Batista army, the subsequent decline of its purpose and legitimacy, and its eventual alienation from the true national interest.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Western Europe

Fritz Stern

THE DIARIES OF A CABINET MINISTER. VOLUME I: 1964–1966. By Richard Crossman. New York: Holt, Rinehart and Winston, 1976, 688 pp. $16.95.

The candid and revealing diaries of Labour's left-of-center Minister of Housing, diaries that Crossman's Labour colleagues tried to keep unpublished. They afford a splendid, though dismal, picture of the governance of Britain and of its economic prospects. Also poignant thoughts, as when describing taking part in Churchill's funeral he wrote: "It felt like the end of an epoch, possibly even the end of a nation."

THE UNITED FRONT: THE TUC AND THE RUSSIANS 1923–1928. By Daniel F. Calhoun. New York: Cambridge University Press, 1976, 450 pp. $27.50.

A highly readable account of Soviet efforts to subvert the British Trades Union Congress by preaching mock unity on the Left; by 1926–27 these efforts had failed, and the United Front was dropped in favor of the hard line that denounced moderate socialists and facilitated the rise of Hitler. An important and timely topic.

THE POLITICAL POLICE IN BRITAIN. By Tony Bunyan. New York: St. Martin's, 1976, 320 pp. $15.95.

Intended as an exposure of the state's instrument of repression, this book can also serve as an exposure of the angry, suspicious mind, convinced that "the ruling class in Britain" will resort "[again] to the use of force against the people." The book is a troublesome survey qua indictment, characterized by remarks such as "the war in Northern Ireland, IRA bombings in England, and hijackings by Arab guerrillas all contributed to an increasing paranoia. . . ." Whose paranoia?

MONTGOMERY OF ALAMEIN. By Alun Chalfont. New York: Atheneum, 1976, 365 pp. $12.95.

A discriminating portrait of Britain's colorful hero, written by a well-known statesman who has been a soldier and a journalist. Montgomery's difficult traits—his "rudeness and abrasiveness"—are explained in large part and somewhat surprisingly by reference to his hostile relations with his mother. A superb trainer of men, but "certainly not one of the great commanders."

CLASS IN A CAPITALIST SOCIETY: A STUDY OF CONTEMPORARY BRITAIN. By John Westergaard and Henrietta Resler. New York: Basic Books, 1976, 432 pp. $15.00.

Two sociologists, from an avowedly Marxist perspective, seek to demonstrate that "class inequality is not withering away," contrary assertions notwithstanding. An unconventional, important inquiry into contemporary British society, a combination of academic study and political tract.

THE LION'S SHARE—A SHORT HISTORY OF BRITISH IMPERIALISM 1850–1970. By Bernard Porter. New York: Longman, 1976, 408 pp. $18.50 (Paper, $9.00).

A lively account of Britain's imperial fortunes, by a young British historian. Highly readable and free of all manner of ideological humbug.

KONRAD ADENAUER UND SEINE ZEIT. Edited by Dieter Blumenwitz and others. Stuttgart: Deutsche Verlag-Anstalt, 1976, 750 pp. DM. 48.

On the occasion of the 100th anniversary of Adenauer's birth, 55 former colleagues were asked to write on the various aspects of the great Chancellor's personality and work, varying from reflections on his foreign policy, including his policy of reconcilia-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion with Israel, to specific topics such as "Adenauer and the peasants." Contributors to this exceptionally successful work include Lucius Clay, John J. McCloy, and Walter Scheel.

BEGEGNUNGEN UND EINSICHTEN. DIE JAHRE 1960–1975. By Willy Brandt. Hamburg: Hoffmann und Campe, 1976, 655 pp. DM. 36.

In 1969 Brandt became the first Social Democratic Chancellor in Germany in 39 years. His book is a modest recital of that rise to power and of his years in office. His memoirs devote much space to his exchanges with foreign leaders, but his own characteristically thoughtful, almost brooding reflectiveness shines through as well. A more serious contribution to our understanding of those years than the excerpts run in *Der Spiegel* suggested.

POLITIK DES AUSVERKAUFS? DIE DEUTSCHLANDPOLITIK DER REGIERUNG BRANDT/SCHEEL. By Gunther Schmid. Munich: Tuduv, 1975, 313 pp. DM. 28.

The sensational title notwithstanding, this is a sober and sympathetic account of the critical years of *Ostpolitik,* when Brandt and Scheel negotiated a new modus vivendi with the German Democratic Republic and the East European states generally.

NUKLEARPOLITIK IN WESTEUROPA UND DIE FORSCHUNGSPOLITIK DER EURATOM. By Heinz Kramer. Cologne: Carl Heymanns, 1976, 237 pp. DM. 76.

A scholarly analysis of the development of Euratom, with some thoughtful remarks about the utility of those grand theories of integration frequently propounded by political scientists.

ADOLF HITLER. By John Toland. New York: Doubleday, 1976, 897 pp. $14.95.

Another popular biography of Hitler, enriched by a few details derived from some new interviews.

THE NUREMBERG MIND: THE PSYCHOLOGY OF THE NAZI LEADERS. By Florence R. Miale and Michael Selzer. New York: Quadrangle, 1976, 302 pp. $10.95.

A study of the Rorschach tests taken by the Nazi leaders at Nuremberg leads the two scholars to the remarkable conclusion that "the Nazis were not psychologically normal or healthy individuals."

SPANIEN IM ZWEITEN WELTKRIEG. By Klaus-Jörg Ruhl. Hamburg: Hoffmann und Campe, 1975, 414 pp. DM. 58.

A valuable study of Franco's relations with Nazi Germany, as these were shaped by Spain's economic exigencies and political predispositions.

LA POLITIQUE MILITAIRE DE LA CINQUIÈME RÉPUBLIQUE. By Lothar Ruehl. Paris: Presses de la Fondation Nationale des Sciences Politiques, 1976, 448 pp. Fr. 76.

A German journalist-scholar presents a critical analysis of military planning and policies in France for the past 20 years.

MUSSOLINI. VOLUME I: LE RÉVOLUTIONNAIRE. By André Brissaud. Paris: Librairie Académique Perrin, 1975, 528 pp. Fr. 60.

The first of a two-volume biography of Mussolini, recounting his tempestuous life from its radical beginnings to the establishment of his dictatorship and his alliance with Hitler.

ELITE STRUCTURE AND IDEOLOGY: A THEORY WITH APPLICATIONS TO NORWAY. By John Higley, G. Lowell Field, and Knut Groholt. New York: Columbia University Press, 1976, 367 pp. $17.50.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Essentially a sociological treatise, with some interesting observations on the present state of Norwegian upper-class society and thought.

THE PORTUGUESE REVOLUTION AND THE ARMED FORCES MOVEMENT. By Rona M. Fields. New York: Praeger, 1976, 288 pp. $22.50.

An American sociologist's rather hasty report on Portuguese politics, based in part on numerous trips and interviews in Portugal.

CHANGES IN EUROPEAN RELATIONS. Edited by James A. Kuhlman and Louis J. Mensonides. Leiden: Sijthoff, 1976, 214 pp. $18.50.

Papers originally delivered at a conference of Eastern and Western scholars held in 1974, with a general introduction by Zbigniew Brzezinski. Subsequent volumes of this new series deserve better editorial supervision so as to avoid the various lapses of this volume.

The Soviet Union and Eastern Europe

John C. Campbell

WAR SURVIVAL IN SOVIET STRATEGY: USSR CIVIL DEFENSE. By Leon Goure. Washington: Center for Advanced International Studies, University of Miami, 1976, 218 pp. $9.95 (Paper, $6.95).

America's best-informed expert on the subject describes the Soviet civil defense and related war-survival programs in the context of an overall strategy based on the changing correlation of world forces. Foy Kohler's foreword draws conclusions as to Soviet risk-taking and the need for U.S. action to ensure strategic balance.

THE SOVIET UNION TODAY. By John Dornberg. New York: Dial, 1976, 275 pp. $7.95.

A journalist's picture of Soviet society, partly reporting, partly interpretive and duly cynical, but less revealing than the comparable recent descriptions by Hedrick Smith and Robert Kaiser (noted in *Foreign Affairs,* April 1976).

LA CHUTE FINALE: ESSAI SUR LA DÉCOMPOSITION DE LA SPHÈRE SOVIÉTIQUE. By Emmanuel Todd. Paris: Laffont, 1976, 323 pp.

A young scholar writes boldly about the future of the U.S.S.R. (stagnation and explosion) and of the East European states (consumer economies and political pluralism). A number of doomsday theses stated and not proven, but a very stimulating book nonetheless.

THE REVOLUTIONARY MOVEMENT OF OUR TIME AND NATIONALISM. By G. F. Rudenko and others. Moscow: Progress, 1975, 284 pp. (Chicago: Imported Publications, distributor, $3.25).

A convenient summary of the present-day Soviet interpretation of Leninist doctrine on nationalism, especially as a dangerous force which the imperialists seek to exploit against the world socialist system and the forces of progress. The Russian original appeared in 1973.

MOSKAU UND DIE EUROPÄISCHE INTEGRATION. By Eberhard Schulz. Munich: Oldenbourg, 1975, 267 pp.

Far and away the outstanding book on Soviet policy toward the EEC. Schulz has skillfully used Soviet publications and private conversations to portray past approaches, examine implications for other Soviet concerns external and internal, and sketch out choices for the future.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DAS KOMMUNISTISCHE MACHTSYSTEM. By Ota Sik. Hamburg: Hoffmann und Campe, 1976, 357 pp. DM. 26.

The architect of the Czechoslovak economic reform of the 1960s gives his analysis of how in the U.S.S.R. and Eastern Europe socialism has been perverted into bureaucratic monopoly power at home and neo-imperialism abroad. Nothing very original, but a convincing and sincere statement.

CZECHOSLOVAKIA'S INTERRUPTED REVOLUTION. By H. Gordon Skilling. Princeton: Princeton University Press, 1976, 892 pp. $45.00 (Paper, $15.00).

Gordon Skilling is second to none in his knowledge of the internal and external politics of Czechoslovakia. His study of 1968, in mastery of the subject as well as in deadweight tonnage, displaces all previous secondary accounts of that dramatic year.

MY MIND ON TRIAL. By Eugen Loebl. New York: Harcourt Brace Jovanovich, 1976, 235 pp. $8.95.

A former Czechoslovak official who was arrested, tortured and condemned in the purge of the early 1950s recounts his experience and its effects on his Marxist faith. A moving personal document.

REFORMA AGRARA DIN 1921 IN ROMANIA. By D. Şandru. Bucharest: Editura Academiei Republicii Socialiste România, 1975, 357 pp. Lei 24,50.

A reevaluation of the post-World War I agrarian reform and its consequences. Although stressing the reform's weaknesses and ignoring the fundamental study of it by David Mitrany, the work is reasonably objective and uses much new material.

THE INNOVATIVE DECISION IN SOVIET INDUSTRY. By Joseph S. Berliner. Cambridge: MIT Press, 1976, 561 pp. $35.00

One of the few Western economists with a profound knowledge of the Soviet economy, Berliner looks at the critical question of its capacity to generate technological change, and in doing so tells us a great deal about economic organization, the labor supply, pricing, and incentives. His cautious conclusions stress the limits on innovation.

SOVIET AND CHINESE INFLUENCE IN THE THIRD WORLD. Edited by Alvin Z. Rubinstein. New York: Praeger, 1976, 232 pp. $17.50 (Paper, $4.95).

A number of established experts attempt to define influence and to measure how much of it the U.S.S.R. and China have been able to gain in specific areas of the Third World. Definitely a worthwhile effort but one that will have to be repeated as more evidence comes in.

L'URSS ET LA RÉVOLUTION CUBAINE. By Jacques Lévesque. Montreal: Les Presses de l'Université de Montréal, 1976, 220 pp. $15.00.

The place of Castro's Cuba in Soviet theory and strategy through various stages from initial prudence through enthusiasm to later disillusionment and ultimate accommodation. An important book, first in its field.

THE FINNISH DILEMMA: NEUTRALITY IN THE SHADOW OF POWER. By George Maude. New York: Oxford University Press, 1976, 153 pp. $13.25.

If the debate on "Finlandization" is going to continue, it is well to have at hand this accurate portrayal of Finland's position, which permits on the internal front a parliamentary system (though with a recognized Soviet search for allies within it) and in foreign policy a growing capacity to serve Finland's interest in a multilateral framework (though within basic limitations set by geography and Soviet power).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CONFERENCE ON SECURITY AND COOPERATION IN EUROPE: A POLISH VIEW. Polish Institute of International Affairs. Warsaw: PWN-Polish Scientific Publishers, 1976, 291 pp.

Marian Dobrosielski (who was a Polish delegate at CSCE) and his colleagues at the Institute of International Affairs cover all aspects of the Geneva-Helsinki negotiations and the Final Act. No surprises.

JUGOSLAWISCHE AUSSENPOLITIK 1948–1968. By Irena Reuter-Hendrichs. Cologne: Carl Heymanns, 1976, 363 pp. DM. 96.

The author establishes, largely for the benefit of Western readers, the firm theoretical and practical base for Belgrade's policy of nonalignment; in the process, she gives a richly detailed running account of Yugoslav foreign policy and a critique of the existing literature.

VALUES AND COMMUNITY IN MULTINATIONAL YUGOSLAVIA. By Gary K. Bertsch. Boulder (Colo.): East European Quarterly, 1976, 160 pp. (New York: Columbia University Press, distributor, $11.00).

An American scholar who knows Yugoslavia well here tackles the vital subject of unity and nationalism, looking particularly at changing individual attitudes. On the way to some sensible conclusions, however, he may lose all but his fellow political scientists amid the definitions, theories, models and diagrams.

The Middle East and North Africa

John C. Campbell

THE ARABS, ISRAELIS AND KISSINGER: A SECRET HISTORY OF AMERICAN DIPLOMACY IN THE MIDDLE EAST. By Edward R. F. Sheehan. New York: Reader's Digest Press, 1976, 287 pp. $8.95.

Mr. Sheehan's full-length study, complete with verbatim dialogue, may revive the controversy about how and why State Department secrets were leaked to him. But the real message and great merit of the book lie in its comprehensive and substantially accurate account, from many sources, of Kissinger's shuttle diplomacy and creation of a credible American Arab policy where none existed before.

THE ARAB-ISRAELI DILEMMA. By Fred J. Khouri. Syracuse: Syracuse University Press, 2d ed., 1976, 466 pp. $5.95 (Paper).

This new edition of a comprehensive treatment of the conflict, with continuing emphasis on U.N. debates and resolutions, brings the story from 1968 to early 1976 in a rather sketchy postscript.

A HISTORY OF ISRAEL: FROM THE RISE OF ZIONISM TO OUR TIME. By Howard M. Sachar. New York: Knopf, 1976, 883 pp. $20.00.

Obviously a labor of love, but at the same time a reasonably objective and largely successful effort to write a history of Israel that will stand the test of time. Sachar is very much at home both in the Zionist pre-history of Israel and in the evolution of the Middle East in modern times.

DIE DEUTSCH-ARABISCHEN BEZIEHUNGEN: PROBLEME UND KRISEN. By Mohammed Abediseid. Stuttgart: Seewald, 1976, 303 pp. DM. 24.

The author of this informative history of German-Arab relations, a Palestinian, sees the American connection and the legacy of Hitler as heavy burdens on the Federal Republic's Arab policy.

THE INDUSTRIALIZATION OF EGYPT 1939–1973. By Robert Mabro and Samir Radwan. New York: Oxford University Press, 1976, 279 pp. $14.75.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Based on extensive primary data this is above all a book for economists; but the historical evolution of industrial policy against a setting of changing political-economic systems provides a case study in development of more than local significance.

POLITICS IN THE SUDAN: PARLIAMENTARY AND MILITARY RULE IN AN EMERGING AFRICAN NATION. By Peter K. Bechtold. New York: Praeger, 1976, 359 pp. $23.50.

A competent survey of politics in the Sudan through four distinct periods—two parliamentary and two military—since independence.

THE PRICING OF LIBYAN CRUDE OIL. By Dr. Shuki Mohammed Ghanem. Valletta, Malta/Tripoli, Libya: Adams, 1975, 374 pp. $12.00.

ERDÖL: GEGENWART UND ZUKUNFT DES IRAN. By Bahram Panahi. Cologne: Böhlau, 1975, 200 pp. DM. 28.

Both these works look at the place of the respective countries in the world oil-producing community and at the economic basis for their energy policies and their roles in OPEC.

THE PERSIAN GULF. By David E. Long. Boulder (Colo.): Westview Press, 1976, 172 pp. $13.50.

A handbook which presents many useful facts on the Gulf states with some attention to regional and world politics. A final chapter on the United States and the Gulf is somewhat cursory in its treatment of the policy problems.

COMMUNISME ET NATIONALISME EN ALGÉRIE 1920–1962. By Emmanuel Sivan. Paris: Presses de la Fondation Nationale des Sciences Politiques, 1976, 262 pp. Fr. 92.

A thorough and keenly reasoned study of the fundamental contradictions between the doctrine and strategy of the Algerian—and French—Communist parties and the colonial reality of Algeria in the years before independence.

Asia and the Pacific

Donald S. Zagoria

JAPAN: THE PARADOX OF PROGRESS. Edited by Lewis Austin. New Haven: Yale University Press, 1976, 338 pp. $20.00.

A generally thoughtful collection of essays by political scientists, psychologists, anthropologists, economists and sociologists on the effects of rapid change on Japanese society. The editor's introduction stresses the paradox of change but does not attempt to integrate the conclusions of the authors.

HOW JAPAN'S ECONOMY GREW SO FAST: THE SOURCES OF POSTWAR EXPANSION. By Edward F. Denison and William K. Chung. Washington: Brookings, 1976, 267 pp. $10.95 (Paper, $4.95).

Increases in capital and labor, reallocation of labor from agriculture, improved technology and economies of scale were the growth factors. Can Japan's growth rate be sustained? The authors stress the probability of a slowdown as various ways of "catching up" become exhausted, but they think a fairly high rate of growth is still likely for the rest of this century.

THE SILENT POWER: JAPAN'S IDENTITY AND WORLD ROLE. Edited by Japan Center for International Exchange. Tokyo: Simul Press, 1976, 251 pp. $12.00.

Insights into the Japanese identity crisis and its impact on Japan's foreign policy. A collection of essays on the national psyche by ten of Japan's foremost social scientists.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE LIMITS OF CHANGE. Edited by Charlotte Furth. Cambridge: Harvard University Press, 1976, 448 pp. $16.00.

A much-needed beginning on the conservative alternatives to communism in Republican China. Unfortunately it is confined to the ideas of a small intellectual elite without considering the social and institutional obstacles to change, and it lacks any comparative perspective on a question that begs for one.

JAPAN FACES CHINA. By Chae-Jin Lee. Baltimore: Johns Hopkins, 1976, 242 pp. $12.50.

A useful survey of Chinese-Japanese relations in the postwar period which is particularly informative on the role played by the Liberal-Democratic Party and the Japan Socialist Party in shaping Tokyo's China policy.

CHINA'S FOREIGN AID: AN INSTRUMENT OF PEKING'S FOREIGN POLICY. By John Franklin Copper. Lexington (Mass.): Lexington Books, 1976, 197 pp. $17.50.

A survey of China's foreign aid programs which shows relatively big Chinese investments in Asian Communist neighbors, North Vietnam, North Korea, and now Cambodia; a continuing commitment to Pakistan; and a new emphasis since 1970 on aid to noncommunist countries, particularly in Africa. The author also shows how aid programs virtually came to a halt during the Cultural Revolution and have since been revived.

THE ECCENTRIC TRADITION: AMERICAN DIPLOMACY IN THE FAR EAST. By Robert A. Hart. New York: Scribners, 1976, 277 pp. $10.95.

A provocative Tocquevillian argument that America's democratic system and idealistic principles have led to the failure of its foreign policy in Asia by encouraging emotional behavior and inordinate expectations instead of respect for balance and prudence.

THE MAN WHO LOST CHINA. By Brian Crozier. New York: Scribners, 1976, 430 pp. $12.95.

A solid, lively and well written political biography of Chiang Kai-shek aimed at the general reader. Manages to bring out Chiang's virtues as well as his warts. Very harsh on American China policy in the crucial period from Yalta to the Communist victory, but without endorsing the crudities of the "who lost China" school of thought.

THE CHANGING FACE OF TIBET: THE IMPACT OF CHINESE COMMUNIST IDEOLOGY ON THE LANDSCAPE. By Pradyumna P. Karan. Lexington: University Press of Kentucky, 1976, 114 pp. $18.50.

A valuable and rare account of the impact of Chinese colonialization on Tibet, the changes in the Tibetan economy and society, the suppression of Tibet's Buddhist culture, and the strategic buildup of Chinese military power.

MAHATMA GANDHI AND HIS APOSTLES. By Ved Mehta. New York: Viking, 1976, 251 pp. $10.00.

A poignant search for Gandhi's legacy in contemporary India which concludes that Gandhi's ideas and spirit are all but dead.

THE IMPERATIVES OF NONALIGNMENT: A CONCEPTUAL STUDY OF INDIA'S FOREIGN POLICY STRATEGY IN THE NEHRU PERIOD. By A. P. Rana. Delhi: Macmillan of India, 1976, 322 pp. Rs. 60.

Sympathetic but critical, the author weighs the successes and failures of Nehru's foreign policy and analyzes the factors that shaped it.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Africa

Jennifer Seymour Whitaker

POLITICS OF DECOLONIZATION: KENYA EUROPEANS AND THE LAND ISSUE 1960–1965. By Gary Wasserman. New York: Cambridge University Press, 1976, 225 pp. $22.50.

POLITICS AND CLASS FORMATION IN UGANDA. By Mahmood Mamdani. New York: Monthly Review Press, 1976, 339 pp. $16.50.

Each of these studies makes use of intensive historical analysis to explain the continuing dependence of former colonies on the metropole. Wasserman's account of the "co-optation" of the Kenyan nationalist elite into the capitalist agricultural economy of the whites offers a solid basis for understanding the various reinforcing layers of European influence in Kenya today. Mamdani's work shows how the economic structure of Uganda was determined by the needs of the mother country; but his typologies about class obscure more than they illuminate what is happening in Uganda today.

WAR CLOUDS ON THE HORN OF AFRICA. By Tom J. Farer. Washington: Carnegie Endowment for International Peace, 1976, 157 pp. $3.75 (Paper).

The author's fluent pen creates a rich historical backdrop for the sere issues presented by the Horn. Analyzing U.S. military interests there, Farer carefully demolishes various rationales for continued U.S. military aid to Ethiopia in its conflicts with Somalia and Eritrea, and he produces convincing evidence to support his contention that the extent and significance of the Soviet presence in the Indian Ocean have been much exaggerated.

A WORLD FEDERATION OF CULTURES: AN AFRICAN PERSPECTIVE. By Ali A. Mazrui. New York: Free Press, 1976, 508 pp. $14.95.

A prodigious ecumenical enterprise—and quintessential Mazrui—describing contemporary social institutions in terms of data about worldwide kinship, race, sexual, religious, caste and class structure. His proposal is as ambitious as his overview: international reform and "human consensus," he maintains, can be achieved through the establishment of a world federation in which universal communication would be based on the ability of each citizen to speak and understand a world language and a regional one as well as a national or communal language.

A CRICKET IN THE THORN TREE: HELEN SUZMAN AND THE PROGRESSIVE PARTY. By Joanna Strangways-Booth. Bloomington: Indiana University Press, 1976, 320 pp. $12.50.

This history of opposition politics in South Africa since the advent of the Nationalists to power in 1948 becomes a parable on the weaknesses and strengths of liberalism, as we witness on the one hand the dissolution of the liberal traditions of the United Party and, on the other, the power of Helen Suzman's solitary assault on apartheid.

THE SOVIET UNION AND BLACK AFRICA. By Christopher Stevens. New York: Holmes & Meier, 1976, 236 pp. $24.00.

Written before the Soviet role in Angola became clear, this work concentrates on Ghana, Guinea, Mali, Nigeria and Kenya, as well as the Horn; the author's analysis of military relationships and strategic possibilities is necessarily somewhat dated, but the discussion of the complexities of Soviet economic and political relations with left-leaning regimes is a low-key antidote to alarmist warnings about Soviet beachheads in Africa.

MISSION FOR HAMMARSKJOLD: THE CONGO CRISIS. By Rajeshwar Dayal. Princeton: Princeton University Press, 1976, 335 pp. $16.00.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

As the head of the U.N. mission to the Congo in 1960–61, the author found himself impaled between Congolese factions as well as between the West and the rest; this position gave him the perspective to write what seems to be an objective—and is without doubt a most gripping—account of the much-disputed events there (including new material on the involvement of the U.N. in the Kasavubu and Mobutu coups, the arrest of Lumumba, and Hammarskjold's death).

INTERNATIONAL AID AND NATIONAL DECISIONS: DEVELOPMENT PROGRAMS IN MALAWI, TANZANIA, AND ZAMBIA. By Leon Gordenker. Princeton: Princeton University Press, 1976, 190 pp. $13.00.

Observing the operation of U.N. aid programs from their beginnings through their growth into an international industry, the author describes the complex interactions between national governments and U.N. personnel, focusing on the potential for development aid to foster the U.N. goals of international integration and cooperation.

AFRICAN GOALS AND DIPLOMATIC STRATEGIES IN THE UNITED NATIONS. By Moses E. Akpan. North Quincy (Mass.): Christopher, 1976, 165 pp. $9.95.

The time is right for a book on this subject. This one is useful particularly for its assemblage of information on U.N. deliberations and resolutions on southern Africa between 1960 and 1974.

Erratum: October 1976 issue of *Foreign Affairs*, p. 218, l. 30, the author of THE POLITICS OF INTERNATIONAL MONETARY REFORM—THE EXCHANGE CRISIS (Cambridge: Ballinger) is Michael J. Brenner.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Janet Rigney

SOURCE MATERIAL

I. DOCUMENTS

Documents may be procured from the following: *United States:* Gov't Printing Office, Superintendent of Documents, Washington, D.C. 20402. *United Nations, International Court of Justice:* United Nations, Sales Section, New York 10017. *United Nations Educational, Scientific and Cultural Org.* and *Food and Agric. Org.:* Unipub, Inc., P.O. Box 433, New York 10016. *Int. Labor Office:* 917 15th St., N.W., Washington, D.C. 20005. *European Communities:* 2100 M. St., N.W., Washington, D.C. 20037. *Organization for Economic Cooperation and Development:* 1750 Pennsylvania Ave., N.W., Washington, D.C. 20006. Washington imprints are Government Printing Office, and Congressional documents, unless otherwise noted, are for the 94th Congress. New York imprints are United Nations, unless otherwise noted.

Africa

FAMILY life and structure in Southern Cameroon, by Winifred Weekes-Vagliani [and others]. Paris, OCED, 1976. 87 pp. (Technical Papers.) $4.00.

LESOTHO: a development challenge. Washington, The World Bank, 1975. 98 pp. $4.75.

THE UNITED States and Southern Africa. Report by Sen. Charles H. Percy to the Committee on Foreign Relations, Senate, June 1976. Washington, 1976. 33 pp. (Com. Print.)

Agriculture

THE PLANNING and programming of agricultural research, by I. Arnon. Rome, F.A.O., 1975. 122 pp.

REPORT on the FAO World Conference on Credit for Farmers in Developing Countries held in Rome, 14–21 October 1975. Rome, F.A.O., 1975. v.p.

Asia and the Pacific Ocean

AFTERMATH of war: humanitarian problems of Southeast Asia. Staff report prepared for the use of the Subcommittee to Investigate Problems Connected with Refugees and Escapees, Committee on the Judiciary, Senate, May 17, 1976. Washington, 1976. 589 pp.

DEFENSE of Japan. Tokyo, Defense Agency, 1976. 167 pp.

THE END of the postwar era: time for a new partnership of equality with Japan. Report by Sen. Mike Mansfield to the Committee on Foreign Relations, Senate, Aug. 1976. Washington, 1976. 54 pp. (Com. Print.)

INDIA: the energy sector, by P. D. Henderson. N.Y., Oxford University Press (for the World Bank), 1975. 191 pp. $4.75.

SEYCHELLES. London, Central Office of Information, 1976. 31 pp. (R6006/76.)

STUDIES on development problems in countries of Western Asia, 1974. N.Y., 1975. 141 pp. (75.II.C.2.) $7.00.

Commercial Policy and Trade

COLLUSIVE tendering: report of the Committee of Experts on Restrictive Business Practices. Paris, OECD, 1976. 83 pp. $4.00.

DECLARATION by the governments of OECD member countries and decisions of the OECD Council on guidelines for multinational enterprises, national treatment, international investment incentives and disincentives, consultation procedures. Paris, OECD, 1976. 23 pp. $1.75.

Disarmament

ARMS control report. Washington, U.S. Arms Control and Disarmament Agency, 1976. 73 pp.

COMPREHENSIVE study of the question of nuclear-weapon-free zones in all its aspects; special report of the conference of the Committee on Disarmament. N.Y., 1976. 98 pp. (76.I.7.) $7.50.

SENIOR Conference on Arms Transfers: final report, 10–12 June 1976. West Point, United States Military Academy, 1976. 117 pp.

THE UNITED Nations and disarmament, 1970–1975. N.Y., 1976. 267 pp. (76.IX.1.)

Eastern Europe

BACKGROUND materials relating to United States-Romanian trade and the extension of the President's authority to waive Section 402 of the Trade Act of 1974. Committee on Finance, Senate, Aug. 26, 1976. Washington, 1976. 8 pp. (Com. Print.)

DOKUMENTY Vneshnei Politiki SSSR. Tom XX: ianvar'–dekabr' 1937 g. Moscow: Izdatel'stvo Politicheskoi Literatury (for the Ministerstvo Inostrannykh Del SSR), 1976. 814 pp. Rubles 1.75.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

POLITICAL Documents of the German Democratic Republic. Berlin, Panorama DDR, 1976.

5. Current aspects of our domestic and foreign policy after the 9th Party Congress . . ., by Erich Honecker. 39 pp.

THE SOVIET theater nuclear offensive, by J. D. Douglass, Jr. Washington, 1976. 127 pp. (Prepared for the Office of Director of Defense Research and Engineering . . . and Defense Nuclear Agency and published under the auspices of the United States Air Force; Studies in Communist Affairs, 1.) $1.60.

YUGOSLAVIA. Paris, OECD, 1976. 259 pp. (Reviews of National Science Policy.) $12.50.

ECONOMIC POLICY

SYMPOSIUM on a new international economic order, The Hague, the Netherlands, 22–24 May 1975. The Hague, Ministry of Foreign Affairs, n.d. 81 pp.

ENVIRONMENT

ECONOMIC measurement of environmental damage: a technical handbook, by K. G. Mäler and R. E. Wyzga. Paris, OECD, 1976. 151 pp. $7.00.

FINANCIAL POLICY

OECD minimum disclosure rules applicable to all publicly offered securities. Paris, OECD, 1976. 68 pp. $4.00.

ON the capital expansion of the International Finance Corporation: special report to the President and to the Congress. Washington, National Advisory Council on International Monetary and Financial Policies, 1976. v.p.

OPERATIONS evaluation: World Bank standards and procedures. Washington, The World Bank, 1976. 24 pp.

QUESTIONS and answers. Washington, The World Bank, 1976. 71 pp.

THE WORLD Bank: a financial appraisal, by E. H. Rotberg. Washington, The World Bank, 1976. 21 pp.

GOVERNMENT

GOVERNMENT organization manuals: a bibliography, comp. by V. M. Palic. Washington, Library of Congress, 1975. 105 pp. $1.40.

GOVERNMENT publications: a guide to bibliographic tools, by V. M. Palic. Washington, Library of Congress, 4th ed., 1975. 441 pp. $6.70.

INTERNATIONAL LAW AND DIPLOMACY

A CONSTITUTION for the sea. Washington, 1976. 32 pp. (Department of State Publication 8870.)

THE INTERNATIONAL Court of Justice. The Hague, ICJ, 1976. 115 pp.

LAW of the Sea. Hearing, Subcommittee on Oceans and International Environment, Committee on Foreign Relations, Senate, May 20, 1976. Washington, 1976. 40 pp.

NATIONAL legislation and treaties relating to the Law of the Sea. N.Y., 1976. 586 pp. (76.V.2.) $20.00.

UNITED Nations Conference on the Representation of States in their Relations with International Organizations, Vienna, Feb. 4–March 14, 1975: official records. N.Y., 1976. 2 v. (75.V.11–12.) $14.00.

MIDDLE EAST

PALESTINE question: a select bibliography. N.Y., 1976. 63 pp. (76.I.14.) $5.00.

SECRETARY General's second annual report, presented to the 15th Ordinary Meeting of the Council of Ministers. Kuwait, The Organization of Arab Petroleum Exporting Countries, 1975. 90 pp.

POPULATION

WORLD population: 1975; recent demographic estimates for the countries and regions of the world. Washington, Bureau of the Census, 1976. 270 pp. (ISP-WP-75.) $3.90.

RAW MATERIALS AND ENERGY RESOURCES

UNITED Nations Tin Conference, 1975. N.Y., 1976. 33 pp. (75.II.D.4.) $2.50.

SOCIAL QUESTIONS

STUDIES in Resource Allocation. Paris, OECD, 1976.

2. Public expenditure on education. 98 pp. $6.25. *3.* Public expenditure on income maintenance programmes. 120 pp. $9.00.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Statistics

World statistics in brief. N.Y., 1976. 243 pp. (76.XVII.6.) $3.95.

Underdeveloped Areas

Budgeting and planning for development in developing countries; report of the meeting of the Expert Group on Budget Formulation in Developing Countries, United Nations Headquarters, 20–27 Oct. 1975. N.Y., 1976. 40 pp. (76.II.H.2.) $2.50.

Geographical distribution of financial flows to developing countries: data on disbursements and commitments in 1974. Paris, OECD, 1976. 112 pp. $7.00.

Report on developing countries external debt and debt relief provided by the United States. Washington, The Secretary of the Treasury, 1976. 102 pp.

United Nations

The United States and the United Nations: a Department of State discussion paper. Washington, 1976. 16 pp. (Department of State Publication 8875.) 35¢.

United States

Background information on the use of U.S. armed forces in foreign countries, 1975 revision, by the Foreign Affairs Division, Congressional Research Service, Library of Congress, for the Subcommittee on International Security and Scientific Affairs, Committee on International Relations. Washington, 1975. 84 pp. (Com. Print.) $1.10.

United States of America: income taxation of private investments in developing countries. N.Y., 1976. 92 pp. (76.XVI.1.) $4.00.

Western Europe

Akten zur Deutschen Auswärtigen Politik, 1918–1945. Serie C: 1933–1937. Das Dritte Reich: die ersten Jahre. Band IV: [1. April 1935 bis 4. März 1936.] Göttingen, Vandenhoeck & Ruprecht, 1975. 2 pts. DM. 84.00.

Area handbook for Spain, by E. K. Keefe and others. Washington, G.P.O., 1976. 424 pp. (Prepared by Foreign Area Studies [FAS] of the American University.) $6.60.

Assessing the new political trends; Dublin: 1976. Report on the Ninth Meeting of Members of Congress and of the European Parliament, April 21–23, 1976. House, Committee on International Relations, pursuant to H.Res. 1062. Washington, 1976. 86 pp. (Com. Print.)

Greece in the European Community, by Xenophon Zolotas. Athens, Bank of Greece, 1976. 53 pp. (Papers and Lectures, 33.)

Human settlements in Europe: post-war trends and policies. N.Y., 1976. 141 pp. (76.II.E.9.) $6.00.

Ministers of Labour and the problems of employment. Vol. 1: Papers and introductory and concluding statements at the first Meeting of the Manpower and Social Affairs Committee at Ministerial Level, Paris, 4th and 5th March, 1976. Paris, OECD, 1976. 129 pp. $6.00.

Planning and development of the tourist industry in the ECE region: proceedings of the Symposium on the Planning and Development of the Tourist Industry in the ECE Region held under the auspices of the ECE at Dubrovnik (Yugoslavia), 13–18 October 1975. N.Y., 1976. 198 pp. (76.II.E.4.) $9.00.

Spanish Base Treaty. Hearings, Committee on Foreign Relations, Senate, on Executive E, Mar. 3–24, 1976. Washington, 1976. 157 pp.

Western Hemisphere

Area handbook for Trinidad and Tobago, by J. K. Black and others. Washington, G.P.O., 1976. 304 pp. (Prepared by Foreign Area Studies [FAS] of the American University.) $5.70.

Canadian foreign investment screening procedures and the role of foreign investment in the Canadian economy. Hearings, Subcommittee on Inter-American Economic Relationships, Joint Economic Committee, Dec. 16, 1975, and Jan. 26, 27, 1976. Washington, 1976. 269 pp. $2.50.

First Congress of the Communist Party of Cuba, Havana, December 17–22, 1975: collection of documents. Moscow, Progress Publishers, 1976. 325 pp.

Protocol of amendment to the Inter-American Treaty of Reciprocal Assistance (Rio Treaty); message from the President of the United States transmitting the protocol. . . . Signed at a Special Conference of Plenipotentiaries at San José, Costa Rica, July 26, 1975. Washington, 1975. 13 pp. (Exec.J.)

Report on the work accomplished by the Inter-American Commission on Human Rights at its thirty-second session (April 8–18, 1974). Washington, General Secretariat, Organization of American States, 1976. 62 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SEVENTH Meeting of the Inter-American Council for Education, Science and Culture, January 26 to 31, 1976, San Salvador, El Salvador: final report. Washington, General Secretariat, Organization of American States, 1976. 151 pp.

II. OTHER PUBLICATIONS

ADELPHI PAPERS. London, The International Institute for Strategic Studies, 1975–76. $1.50 each.
117. Oil and influence: the oil weapon examined, by Hanns Maull. 37 pp. *118.* Precision-guided weapons, by James Digby. 24 pp. *119.* Military power and political influence: the Soviet Union and Western Europe, by R. J. Vincent. 29 pp. *122.* Power at sea: I. The new environment. 39 pp. *123.* Power at sea: II. Super-powers and navies. 32 pp. *124.* Power at sea: III. Competition and conflict. 36 pp.

AEI ROUND TABLES. Washington, American Enterprise Institute for Public Policy Research, 1976. $2.00 each.
Who's first in defense—the U.S. or the U.S.S.R.? by M. R. Laird and others. 39 pp. National economic planning: right or wrong for the U.S.? by C. J. Brown and others. 51 pp.

AFTER ANGOLA: THE WAR OVER SOUTHERN AFRICA. THE ROLE OF THE BIG POWERS, by Colin Legum; HOW THE MPLA WON IN ANGOLA, by Tony Hodges. N.Y., Africana Publishing Co., 1976. 85 pp.

ANNÄHERUNG, ABGRENZUNG UND FRIEDLICHER WANDEL IN EUROPA, ed. by Gerda Zellentin. Boppard am Rhein, Harald Boldt Verlag (for the Deutsche Gesellschaft für Friedens- und Konfliktforschung), 1976. 495 pp. (Veröffentlichungen, 2.)

ARBEITEN AUS DER ABTEILUNG ENTWICKLUNGSLÄNDERFORSCHUNG. Bonn, Forschungsinstitut der Friedrich-Ebert-Stiftung, 1976.
37. Malaysia; Gewerkschaften: Wandlungen im Selbstverständnis einer gesellschaftlichen Gruppe, by Rüdiger Sielaff. 61 pp. *38.* Afrika; Gewerkschaften: zum Handlungsspielraum einer gesellschaftlichen Gruppe, by Rainer Gries. 32 pp. *39.* Republik Südafrika; black training: von Arbeitskräfteproblemen zu Reformansätzen, by H.-G. Hrach. 45 pp. *40.* Türkei; Volkssektor: gemeinwirtschaftliche Elemente im Programm der Republikanischen Volkspartei, by Faruk Sen. 34 pp.

THE BALANCE OF POWER IN THE ASIA-PACIFIC REGION, by Herman Kahn and Thomas Pepper. Croton-on-Hudson, N.Y., Hudson Institute, 1976. 27 pp. (Corporate Environment Program Research Memorandum No. 27.)

BEHIND THE HEADLINES. Toronto, Canadian Institute of International Affairs, 1976. 75¢ each.
Vol. XXXV. No. 1. United States strategies for world hunger, by C. J. Schramm. 20 pp.

BERGBAULICHE RESSOURCEN IM SÜDLICHEN AFRIKA, UNTER BERÜCKSICHTIGUNG DER RESOURCES DIPLOMACY IN DEN INTERNATIONALEN BEZIEHUNGEN UND IN IHRER AUSWIRKUNG AUF EUROPA, by Wolfgang Ulbrich. Hamburg, Institut für Afrika-Kunde, 1976. 184 pp. (Hamburger Beiträge zur Afrika-Kunde, 19.) DM. 39.80.

BERICHTE. Cologne, Bundesinstitut für Ostwissenschaftliche und Internationale Studien, 1976.
5. Zu Problemen des November-Plenums 1975 des ZK der SED, by Fred Oldenburg. 30 pp. *6.* Alkoholkonsum in der UdSSR, by Renate Baum and Heinz Müller-Dietz. 54 pp. *7.* Moskau und die Fedayeen seit dem Yom-Kippur-Krieg, by Gerd Linde. 57 pp. *8.* Das ZK-Plenum der KPdSU vom Dezember 1974, by Gyula Józsa. 50 pp. *9.* Der ideologische Hintergrund des XXV. Parteitages der KPdSU, by Helmut Dahm. 81 pp. *10.* Aspekte des Wandels bei den italienischen und französischen Kommunisten, by Heinz Timmermann. 13 pp. *11.* Zur Bedeutung des neuen Zivilgesetzbuches der DDR. Teil I, by Karin Schmid. 52 pp. *12.* Sowjetische Nationalitätenpolitik und der XXV. Parteitag der KPdSU, by Gerhard Simon. 22 pp. *13.* Zur Bedeutung des neuen Zivilgesetzbuches. Teil II, by Karin Schmid. 26 pp. *14.* Das sowjetische Religionsgesetz vom Juni 1975, by Gerhard Simon. 50 pp. *15.* Die sowjetische Landwirtschaft an der Wende zweier Planjahrfünfte, by K.-E. Wädekin. 75 pp. *16.* Das sowjetische militärische Potential: ein Rückblick auf 1975, by P. H. Vigor. 24 pp. *17.* Zur Lage Berlins vor dem Viermächte-Abkommen, by Gerhard Wettig. 15 pp. *18.* Investitionen, Kapitalausstattung und Technisierung der sowjetischen Landwirtschaft in den 70er Jahren: Bilanz und Ausblick, by K.-E. Wädekin. 67 pp. *19.* Parteitage in den 14 Unionsrepubliken der Sowjetunion, by Borys Lewytzkyi. 66 pp. *20.* Hat Brežnevs "Friedensprogramm" noch eine Zukunft? Teil I: Die sowjetische Entspannungspolitik und die innenpolitischen Probleme der Parteiführung, by Astrid von Borcke. 36 pp. *21.* Das Futter- und Getreideproblem in der sowjetischen Viehwirtschaft, by Philipp Kellner and K.-E. Wädekin. 37 pp. *22.* Nach dem Pekinger Führungswechsel: neuer Tiefstand der sino-sowjetischen Beziehungen, by Dieter Heinzig. 19 pp. *24.* Der XXV. Parteitag der KPdSU: Verlauf und Bedeutung, by Astrid von Borcke. 33 pp. *25.* Die sowjetische Position in Nahost im Frühjahr 1976, by Gerd Linde. 55 pp. *26.* Die sowjetische Vietnampolitik 1975/76, by Eberhard Schneider. 49 pp.

BEYOND DIPLOMACY: DECISION-MAKING IN AN INTERDEPENDENT WORLD; FIRST INTERIM REPORT OF THE SPECIAL COMMITTEE OF THE ATLANTIC COUNCIL ON INTER-GOVERNMENTAL ORGANIZATION AND REORGANIZATION. Washington, The Atlantic Council of the United States, n.d. 87 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BEYOND INDUSTRIAL GROWTH, ed. by Abraham Rotstein. Toronto, University of Toronto Press, 1976. 131 pp.

CHANGE AND SURVIVAL: STUDIES IN SOCIAL DYNAMICS IN EASTERN EUROPE AND THE SOVIET UNION; ESSAYS IN HONOR OF JOSEF KORBEL. Denver, Graduate School of International Studies, University of Denver, 1975. 162 pp. (Monograph Series in World Affairs, 13.)

CHANGES IN RICE FARMING IN SELECTED AREAS OF ASIA. Manila, Philippines, The International Rice Research Institute, 1975. 377 pp.

CHINA—THE TURNING POINT, ed. by E. J. Feulner, Jr. Washington, Council on American Affairs, 1976. 167 pp. $5.00.

THE CHINESE IN INDONESIA: FIVE ESSAYS, ed. by J. A. C. Mackie. Melbourne, Nelson (in association with the Australian Institute of International Affairs), 1976. 282 pp.

CHINESE MIGRATION AND SETTLEMENT IN AUSTRALIA, by C. Y. Choi. Sydney, Sydney University Press, 1975. 129 pp. (Distributor: ISBS, Inc., Forest Grove, Or.)

COAL AND CANADA-U.S. ENERGY RELATIONS, by R. L. Gordon. Washington, Canadian-American Committee, 1976. 75 pp. $3.00.

THE COMMONWEALTH IN WORLD AFFAIRS, by Shridath S. Ramphal. Wellington, Price Milburn (for New Zealand Institute of International Affairs), 1975. 20 pp.

LA CONFÉRENCE DES MINISTRES ALLIÉS DE L'EDUCATION (LONDRES 1942–1945): DE LA COOPÉRATION ÉDUCATIVE DANS L'EUROPE EN GUERRE A LA CRÉATION D'UNE ORGANISATION INTERNATIONALE, by Denis Mylonas. Brussels, Établissements Émile Bruylant (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1976, 495 pp. (Thèse, 231.)

CONTEMPORARY BRAZILIAN FOREIGN POLICY: THE INTERNATIONAL STRATEGY OF EMERGING POWER, by William Perry. Beverly Hills, Ca., Sage Publications (for the Foreign Policy Research Institute, Philadelphia), 1976. 89 pp. (Foreign Policy Papers, Vol. 2, No. 6.) $3.00.

COUNTER-INSURGENCY IN KENYA: A STUDY OF MILITARY OPERATIONS AGAINST MAU MAU, by Anthony Clayton. Nairobi, Transafrica Publishers, 1976. 62 pp. (Transafrica Historical Papers, 4.)

CSIS REPORTS. Washington, Center for Strategic and International Studies, Georgetown University, 1976.

China Diary, by Harlan Cleveland. 50 pp. Divestiture: the pros and cons, ed. by F. X. Murray. 68 pp.

DAMPING NUCLEAR COUNTERFORCE INCENTIVES: CORRECTING NATO'S INFERIORITY IN CONVENTIONAL MILITARY STRENGTH, by S. L. Canby. Santa Monica, Ca., California Arms Control and Foreign Policy Seminar, 1974. 31 pp.

DÉTENTE IN SOUTHERN AFRICA: TWO VIEWS, by Ronald Ballinger and Gerrit Olivier. Braamfontein, The South African Institute of International Affairs, 1976. 29 pp.

DEUTSCHE FRIEDENSPOLITIK 1918–19: EINE ALTERNATIVE ZUR MACHTPOLITIK DES ERSTEN WELTKRIEGES, by Leo Haupts. Düsseldorf, Droste Verlag, 1976. 489 pp.

DOMESTIC ORIGINS OF THE MONETARY APPROACH TO THE BALANCE OF PAYMENTS, by H. G. Grubel. Princeton, International Finance Section, Department of Economics, Princeton University, 1976. 22 pp. (Essays in International Finance, 117.) $1.00.

EDITORIAL RESEARCH REPORTS ON POLITICAL INSTABILITY ABROAD. Washington, Congressional Quarterly, 1976. 203 pp. $5.25.

ENERGY AND JOBS: A LONG RUN ANALYSIS, by John Cogan and others. Ottawa, Ill., Green Hill Publishers (for the International Institute for Economic Research), 1976. 52 pp. (Original Papers, 3.) $1.45.

ENTWICKLUNG UND FRIEDEN: WISSENSCHAFTLICHE REIHE. Munich, Chr. Kaiser Verlag; Mainz, Matthias-Grünewald-Verlag (for the Wissenschaftliche Kommission des Katholischen Arbeitskreises Entwicklung und Frieden), 1976.

10. Friedenspolitik im Südlichen Afrika: eine Strategie für die Bundesrepublik Deutschland, by E.-O. Czempiel. 172 pp.

ESSAYS ON THE CYPRUS CONFLICT: IN MEMORY OF STEPHEN G. XYDIS, ed. by Van Coufoudakis. N.Y., Pella Publishing Co., 1976. 53 pp.

EUROPÄISCHE SCHRIFTEN. Bonn, Europa Union Verlag (for the Institut für Europäische Politik), 1975–76.

Band 41/42. Europa und die arabische Welt: Probleme und Perspektiven europäischer Arabienpolitik, by Wolfgang Wessels and others. 362 pp. *43/44.* Zusammenarbeit der Parteien in Westeuropa: auf dem Weg zu einer neuen politischen Infrastruktur? by J. C. Ficker and others. 426 pp. *45.* Struktur und Macht der EG-Kommission: die Kommission im System der Europäischen Gemeinschaft, by Edouard Poullet and Gérard Deprez. 159 pp.

LES FONDEMENTS POLITIQUES DES ENGAGEMENTS DE LA COMMUNAUTÉ EUROPÉENNE EN MÈDITERRANÉE, by Philippe Petit-Laurent. Paris, Presses Universitaires de France, 1976. 168 pp. (Travaux et Recherches de l'Université de Droit d'Économie et de Sciences Sociales de Paris, Série Science Politique, 7.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FOREIGN AFFAIRS STUDIES. Washington, American Enterprise Institute for Public Policy Research, 1976. $3.00 each.
37. Japan at the polls: the House of Councillors election of 1974, ed. by M. K. Blaker. 157 pp.
38. The crisis in the Lebanese system: confessionalism and chaos, by E. M. Koury. 92 pp.

FOREIGN ASSISTANCE AND THE EAST AFRICAN COMMON SERVICES DURING THE 1960S, WITH SPECIAL REFERENCE TO MULTILATERAL CONTRIBUTIONS, by Domenico Mazzeo. Bamberg, Difo-Druck (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1976. 235 pp. (Thèse, 274.)

FORMERLY BRITISH HONDURAS: A PROFILE OF THE NEW NATION BELIZE, by W. D. Setzekorn. Newark, Ca., Dumbarton Press, 1975. 291 pp.

FROM SUMMIT TO COUNCIL: EVOLUTION IN THE EEC, by Annette Morgan. London: Chatham House; PEP, 1976. 75 pp. (European Series, 27.) £1.50

HOW MUCH DEFENSE SPENDING IS ENOUGH? by Jack Kemp and Les Aspin. Washington, American Enterprise Institute for Public Policy Research, 1976. 64 pp. (Rational Debate Series.) $2.00

HUMAN RIGHTS AND THE LEGAL SYSTEM IN IRAN, by W. J. Butler and Georges Levasseur. Geneva, International Commission of Jurists, 1976. 72 pp. $2.50.

L'INTERDICTION DE LA DISCRIMINATION DANS LE DROIT INTERNATIONAL DES DROITS DE L'HOMME, by Marc Bossuyt. Brussels, Émile Bruylant (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1976. 262 pp. (Thèse, 284.)

INTERNATIONAL ECONOMIC LAW, by A. F. Lowenfeld and Thomas Ehrlich. N.Y., Matthew Bender, 1975–76.
Pt. 1. International private trade, by A. F. Lowenfeld. 302 pp. $6.50. *Pt. 2.* International private investment, by A. F. Lowenfeld. 495 pp. $7.50.

IRAN AND INTERNATIONAL ORGANIZATION: THE USE OF THE U.N. ON SELECTED ISSUES 1960–1971, by Shahram Chubin. Tehran, Institute for International Political and Economic Studies, 1976. 80 pp. (Tehran Papers, 4.)

ISSUES IN GOVERNMENT EXPENDITURE GROWTH, by D. A. L. Auld. Montreal, C. D. Howe Research Institute, 1976. 59 pp. (Sponsored by the Canadian Economic Policy Committee.) $3.00.

JERUSALEM PAPERS ON PEACE PROBLEMS. Jerusalem, Hebrew University of Jerusalem, Leonard Davis Institute for International Relations, 1976. $1.00 each.
17–18. U.N. peace-keeping in the Israel-Arab conflict, 1948–1975: an Israel critique, by Michael Comay. 84 pp. *19.* Perception, deception and surprise: the case of the Yom Kippur War, by M. I. Handel. 67 pp.

KRIEGSBEGINN 1939: ENTFESSELUNG ODER AUSBRUCH DES ZWEITEN WELTKRIEGS? ed. by Gottfried Niedhart. Darmstadt, Wissenschaftliche Buchgesellschaft, 1976. 519 pp. (Wege der Forschung, Bd. CCCLXXIV.)

KSZE: KONFERENZ ÜBER SICHERHEIT UND ZUSAMMENARBEIT IN EUROPA, IN BEITRÄGEN UND DOKUMENTEN AUS DEM EUROPA-ARCHIV, ed. by Hermann Volle and Wolfgang Wagner. Bonn, Verlag für Internationale Politik, 1976. 339 pp.

LABOUR PRODUCTIVITY DIFFERENTIALS WITHIN INTERNATIONAL COMPANIES, by C. F. Pratten. N.Y., Cambridge University Press, 1976. 118 pp. (University of Cambridge Department of Applied Economics Occasional Papers, 50.) $6.95.

LANDOWNERSHIP IN NEPAL, by M. C. Regmi. Berkeley, University of California Press, 1976. 252 pp.

LATIN AMERICA BIBLIOGRAPHY SERIES. Los Angeles, Latin American Studies Center, California State University, 1975–76.
1. Latin America & Japan. 19 pp. *2.* Central America, 52 pp.

LATVIJA SODIEN, 1976. Rockville, Md., World Federation of Free Latvians, 1976. 64 pp.

LIVING WITH GUERRILLA: GUERRILLA AS A LEGAL PROBLEM AND A POLITICAL FACT, by Edward Kossoy. Geneva, Institut Universitaire de Hautes Études Internationales, Université de Genève, 1976. 405 pp (Thèse, 287.)

MALAYSIAN POLICIES IN SOUTH-EAST ASIA, 1957–1970: THE SEARCH FOR SECURITY, by Guat Hoon Khaw. Singapore, Singapore National Printers (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1976. 323 pp. (Thèse, 227.)

MANAGING INTERDEPENDENCE: ELEVENTH CONFERENCE ON THE UNITED NATIONS OF THE NEXT DECADE, CHARLOTTESVILLE, VIRGINIA, U.S.A., JUNE 27–JULY 3, 1976. Muscatine, Iowa, The Stanley Foundation, 1976. 43 pp.

MILITANT SOLIDARITY, FRATERNAL ASSISTANCE: A COLLECTION OF MAJOR SOVIET FOREIGN POLICY DOCUMENTS ON THE VIETNAM PROBLEM, comp. by L. V. Kotov and R. S. Yegorov. Moscow, Progress Publishers, 1970, 221 pp.

MITTEILUNGEN. Hamburg, Institut für Asienkunde, 1976.
78. Indonesiens Aussenpolitik nach Sukarno, 1965–1970: Möglichkeiten und Grenzen eines bündnisfreien Entwicklungslandes, by Helmut Heinzlmeir. 495 pp. DM.25.00. *79.* Die Kommunistische Partei Japans: ein Weg ohne Peking und Moskau, by Manfred Pohl. 341 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DM. 18.00. *80.* Zur Quantifizierung der "Sozialen Wohlfahrt" in Japan, by Siegfried Lörcher. 205 pp. DM. 12.00.

A NEW UNITED STATES POLICY TOWARD THE UNITED NATIONS. N. Y., Ad Hoc Group on United States Policy toward the United Nations, 1976. 12 pp. 50¢.

LA NOUVELLE AGRICULTURE CUBAINE, by Claude Auroi. Paris, Éditions Anthropos (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1975. 259 pp. (Thèse, 272.)

THE NUCLEAR POWER CONTROVERSY. Englewood Cliffs, N.J., Prentice-Hall (for the American Assembly, Columbia University), 1976. 184 pp. $3.95.

NUPI-NOTAT. Olso, Norsk Utenrikspolitisk Institutt, 1976.
122. Norsk sikkerhet og problemer i de tilgrensende havområder . . ., by A. O. Brundtland. 19 pp. *123.* The world of food negotiations: an assessment of the development on crucial issues, by H. O. Bergesen. 31 pp. *124.* Collaborative research on Norwegian policy decision-making, by Daniel Heradstveit, G. M. Bonham and M. J. Shapiro. 4 pp. *125.* Et globalt matvareregime? by H. O. Bergesen. 26 pp. *126.* Norwegian oil policy: cognitive process analysis, by G. M. Bonham and Daniel Heradstveit. 6 pp.

NUPI-RAPPORT. Olso, Norsk Utenrikspolitisk Institutt, 1976.
29. Norge og den tredje verden, by Helge Ø. Pharo. 74 pp.

OIL AND DEVELOPMENT: VENEZUELA, by Klaus Esser. Berlin, German Development Institute, 1976. 90 pp. (Occasional Papers, 38.)

OPEC: QUESTIONS AND ANSWERS. N.Y., Exxon, 1976. 35 pp.

ORGANISATION EUROPE: THE EIGHTEEN AND THE NINE AND AMONG THEM THE GERMANS; THE DEVELOPMENT—CHANCES—LIMITATIONS OF THE EUROPEAN INSTITUTIONS, by Heinz Medefind. Bonn, Europa Union Verlag, 1975. 125 pp.

ORGANIZATION AND ADMINISTRATION OF A MONETARY UNION, by P. R. Allen. Princeton, International Finance Section, Department of Economics, Princeton University, 1976. 89 pp. (Princeton Studies in International Finance, 38.) $1.50.

THE ORGANIZATION AND PROMOTION OF WORLD PEACE: A STUDY OF UNIVERSAL-REGIONAL RELATIONSHIPS, by R. A. Akindele. Toronto, University of Toronto Press, 1976. 209 pp.

PAMPHLETS. Taipei, Asian Peoples' Anti-Communist League, 1976.
188. The imminent storm: situation on China mainland, 1975, by Chiu Kung-yuan. 78 pp. 90¢. *190.* Chinese Communist exploitation and persecution of intellectuals, by Wang Hsueh-wen. 112 pp. $1.40. *191.* Chinese Communist criminal acts in drugging the world, by Chang Tse-min. 127 pp. $1.40.

PATTERNS OF ADMINISTRATIVE DEVELOPMENT IN INDEPENDENT INDIA, by E. N. Mangat Rai. London, The Athlone Press (for the Institute of Commonwealth Studies, University of London), 1976. 167 pp. (Commonwealth Papers, 19.) $11.25. (Distributed by Humanities Press, Atlantic Highlands, N.J.)

PAYING FOR ENERGY. N.Y., McGraw-Hill (for The Twentieth Century Fund), 1975. 136 pp. $3.95.

PEACE RESEARCH: DEFINITIONS AND OBJECTIVES; A BIBLIOGRAPHY, comp. by Kinde Durkee. Los Angeles, Center for the Study of Armament and Disarmament, California State University, 1976. 28 pp. (Political Issues Series, Vol. 1, No. 1.)

PEOPLE: AN INTERNATIONAL CHOICE; THE MULTILATERAL APPROACH TO POPULATION, by R. M. Salas. N.Y., Pergamon Press, 1976. 154 pp.

PERSPECTIVES IN AFRO-GERMAN RELATIONS, ed. by Dieter Bielenstein. Bonn, Friedrich-Ebert Stiftung, 1975. 241 pp.

PLANNING AND ECONOMIC POLICY IN MALI, by W. I. Jones. Washington, Three Continents Press (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1976. 422 pp. (Thèse, 230.)

POLICY PERSPECTIVES. Washington, Potomac Associates, 1976. $2.50 each.
1. America's hopes and fears 1976, by William Watts and L. A. Free. 27 pp. *2.* The United States in the world: new directions for the post-Vietnam era? by R. W. Tucker, William Watts and L. A. Free. 42 pp.

POLITICAL INSTITUTIONALIZATION AND THE INTEGRATION OF ELITES, by R. S. Robins. Beverly Hills, Ca., Sage Publications, 1976. 221 pp. (Sage Library of Social Research, 21.) $7.00.

PRAEGER SPECIAL STUDIES IN INTERNATIONAL POLITICS AND GOVERNMENT. N.Y., Praeger, 1976.
Colonial emancipation in the Pacific and the Caribbean: a legal and political analysis, by A. H. Leibowitz. 221 pp. $18.50. Environmental misuse in the Soviet Union, ed. by Fred Singleton. 100 pp. $13.50.

DAS PRÄSIDIUM DES OBERSTEN SOWJETS DER UdSSR, by H.-C. Reichel. Baden-Baden, Nomos, n.d. 159 pp.

PROCEEDINGS OF THE FRENCH-AMERICAN JOURNALISTS' CONFERENCE, MAY 15, 1976, SCHOOL FOR ADVANCED INTERNATIONAL STUDIES, JOHNS HOPKINS UNIVERSITY, WASHINGTON, D.C., ed. by B. G. Schwarz. N.Y., The French-American Foundation, 1976. 80 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

RACIAL DISCRIMINATION AND REPRESSION IN SOUTHERN RHODESIA: A LEGAL STUDY, by The International Commission of Jurists. London, Catholic Institute for International Relations; Geneva, International Commission of Jurists, 1976. 118 pp. £1.00.

REPORT OF THE NATIONAL CHAIRMAN DR. LEIF EGELAND. Braamfontein, The South African Institute of International Affairs, 1976. 11 pp.

SAUDI ARABIAN DEVELOPMENT STRATEGY, by D. A. Wells. Washington, American Enterprise Institute for Policy Research, 1976. 80 pp. (National Energy Studies, 12.) $3.00.

SCHRIFTENREIHE DES IFO-INSTITUTS FÜR WIRTSCHAFTSFORSCHUNG. Berlin, Duncker & Humblot, 1976. *88.* Investitionsinduzierter technischer Fortschritt: Berechnung und Analyse für die verarbeitende Industrie der Bundesrepublik Deutschland, by K. H. Oppenländer. 148 pp. *89.* Konjunkturschwankungen in Bayern: Analyse für den Zeitraum 1960–1971 unter regionalen und sektoralen Aspekten, by Armin Gebhardt and Otfried Hatzold. 161 pp. *90.* Handhabung und Wirkung der unverbindlichen Preisempfehlung, by Erich Batzer and others. 143 pp.

THE SECTOR APPROACH TO TRADE NEGOTIATIONS: CANADIAN AND U.S. INTERESTS, by Caroline Pestieau. Montreal, The Canadian Economic Policy Committee; C. D. Howe Research Institute, 1976. 15 pp. $1.00.

SOVIET SCIENCE, TECHNOLOGY, DESIGN: INTERACTION AND CONVERGENCE, by Raymond Hutchings. N.Y., Oxford University Press (for the Royal Institute of International Affairs), 1976. 320 pp. $27.50.

STATEMENTS ON NATIONAL POLICY, by the Research and Policy Committee of the Committee for Economic Development. N.Y., CED, 1976. $2.50 each.
Fighting inflation and promoting growth. 96 pp. Nuclear energy and national security. 80 pp.

THE SYSTEM FOR EDUCATING MILITARY OFFICERS IN THE U.S., ed. by L. J. Korb. Pittsburgh, International Studies Association, University of Pittsburgh, 1976. 172 pp. (Occasional Papers, 9.)

LES TÉLÉCOMMUNICATIONS ET L'EUROPE, by Nicolas Jéquier. Lausanne, Centre de Recherches Européennes, 1976. 118 pp. Sw.Fr. 43.00.

THE THEORY OF OPTIMUM CURRENCY AREAS AND EXCHANGE-RATE FLEXIBILITY, by Edward Tower and T. D. Willett. Princeton, International Finance Section, Department of Economics, Princeton University, 1976. 98 pp. (Social Papers in International Economics, 11.) $1.50.

A TIME OF DIFFICULT TRANSITIONS: CANADA-U.S. RELATIONS IN 1976. Washington, Canadian-American Committee, 1976. 58 pp. (A Staff Report.) $2.00.

TIMELY LESSONS OF HISTORY: THE MANCHURIAN MODEL FOR SOVIET STRATEGY, by John Despres, Lilita Dzirkals and Barton Whaley. Santa Monica, Ca., The Rand Corporation, 1976. 84 pp. (R-1825-NA.)

TOWARD PEACEFUL UNIFICATION: SELECTED SPEECHES, by Park Chung Hee. Seoul, Kwangmyong Publishing Co., 1976. 189 pp.

TOWARDS A NEW TYPE OF SOCIALIST DEMOCRACY, by Edvard Kardelj. Belgrade, Socialist Thought and Practice, 1976. 43 pp.

THE TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS: A STUDY BASED ON THE FIVE PRINCIPLES OF UN GENERAL ASSEMBLY RESOLUTION 2028 (XX), by Mohamed Ibrahim Shaker. Geneva, Imprimerie Avenir S.A. (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1976. 993 pp. (Thèse, 281.)

TRENDS IN NUCLEAR PROLIFERATION, 1975–1995: PROJECTIONS, PROBLEMS, AND POLICY OPTIONS, by L. A. Dunn, Herman Kahn [and others]. Croton-on-Hudson, Hudson Institute, 1976. 196 pp. (Prepared for U.S. Arms Control and Disarmament Agency.)

THE TRIANGLE PAPERS. N.Y., The Trilateral Commission, 1976.
11. The reform of international institutions: a report of the Trilateral Task Force on International Institutions. 31 pp. *12.* The problem of international consultations: a report of the Trilateral Task Force on Consultative Procedures. 21 pp.

UNABHÄNGIGKEIT DER TRANSKEI, by Leonhard Harding. Hamburg, Institut für Afrika-Kunde, 1976. 101 pp. (Arbeiten, 4.) DM. 14.00.

UNCTAD IV FROM THE BUSINESS POINT OF VIEW, by P. T. Dunn. N.Y., United States Council of the International Chamber of Commerce, 1976. 35 pp.

THE UNFINISHED ASSIGNMENT: EQUAL EDUCATION FOR WOMEN, by Patricia L. McGrath. Washington, Worldwatch Institute, 1976. 47 pp. (Worldwatch Papers, 7.) $2.00.

UNITED STATES POLICY TOWARDS LATIN AMERICA: ANTECEDENTS AND ALTERNATIVES; A COLLECTION OF PAPERS PRESENTED AT A CONFERENCE HELD AT ARIZONA STATE UNIVERSITY, TEMPE, ARIZONA, DECEMBER 4 AND 5, 1975, ed. by L. A. Tambs. Tempe, Ariz., Center for Latin American Studies, Arizona State University, 1976. 220 pp.

U.S.–SOVIET RELATIONS: DETENTE AND THE MIDDLE EAST; A REPORT ON THE VIEWS OF LEADING CITIZENS IN THIRTY-SIX CITIES, ed. by Rolland Bushner. N.Y., Council on Foreign Relations, 1976. 16 pp.

UNPERFECTED TREATIES OF THE UNITED STATES OF AMERICA, 1776–1976. VOL. 1: 1776–1855, ed. by C. L. Wiktor. Dobbs Ferry, N.Y., Oceana Publications, 1976. 484 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

VÄRLDSPOLITIKENS DAGSFRÅGOR. Stockholm, Utrikespolitiska Institutet, 1976.
3–4. Stormaktspolitiken, 1974–75, by Erik Holm. 68 pp. Kr. 12.00. *5.* Kanada av idag, by Peter Mueller and D. A. Ross. 32 pp. Kr. 7.00. *6.* USA och världen—en stormakt söker sin roll, by Göran Rystad. 32 pp. Kr. 7.00. *7.* Ny ekonomisk världsordning? by Birger Möller. 32 pp. Kr. 7.00.

THE VLADIVOSTOK ACCORD: A CASE STUDY OF THE IMPACT OF U.S. FOREIGN POLICY ON THE PROSPECTS FOR WORLD ORDER REFORM, by R. C. Johansen. Princeton, Center of International Studies, Woodrow Wilson School of Public and International Affairs, Princeton University, 1976. 114 pp. (World Order Studies Program Occasional Papers, 4.) $4.00.

WAHLEN UND ABSTIMMUNGEN, 1918–1933: EINE BIBLIOGRAPHIE ZUR STATISTIK UND ANALYSE DER POLITISCHEN WAHLEN IN DER WEIMARER REPUBLIK, by Martin Schumacher. Düsseldorf, Droste Verlag (for the Kommission für Geschichte des Parlamentarismus und der politischen Parteien), 1976. 155 pp.

THE WASHINGTON PAPERS. Beverly Hills, Ca., Sage Publications (for the Center for Strategic and International Studies, Georgetown University), 1976.
Vol. IV. No. 34. Peking-Washington: Chinese foreign policy and the United States, by H. C. Hinton. 96 pp. *No. 35.* International broadcasting: a new dimension of Western diplomacy, by D. M. Abshire. 90 pp.

WOMEN AND WORLD DEVELOPMENT, ed. by Irene Tinker and M. B. Bramsen. Washington, Overseas Development Council, 1976. 228 pp. (Prepared under the auspices of the American Association for the Advancement of Science.) $3.50.

WOMEN AND WORLD DEVELOPMENT: AN ANNOTATED BIBLIOGRAPHY, by Mayra Buvinić. Washington, Overseas Development Council, 1976. 162 pp. (Prepared under the auspices of the American Association for the Advancement of Science.) $2.50.

WORLD WAR II: AN ACCOUNT OF ITS DOCUMENTS, ed. by J. E. O'Neill and R. W. Krauskopf. Washington, Howard University Press, 1976. 269 pp.

ZEITGESCHICHTLICHE KONTROVERSEN UM FASCHISMUS, TOTALITARISMUS, DEMOKRATIE, by K. D. Bracher. Munich, R. Piper & Co. Verlag, 1976. 158 pp.

20 JAHRE ÖSTERREICHISCHE NEUTRALITÄTS- UND EUROPAPOLITIK (1955–1975): DOKUMENTATION, by Hans Mayrzedt and Waldemar Hummer. Vienna, Wilhelm Braumüller, 1976. 2 v. (Schriftenreihe der Österreichischen Gesellschaft für Aussenpolitik und Internationale Beziehungen, 9.) Schillings 1.520.

ERRATA

July 1976

1. In Alastair Buchan's "Mothers and Daughters (or Greeks and Romans)":

a. The date of the *Trent* affair (page 645, line 15) should be 1861.

b. The Cairo and Teheran Conferences in late 1943 (page 655, last two lines) were reversed in order. The text should read: "first with Chiang Kai-shek at Cairo and then with Stalin at Teheran at the end of 1943. The former. . . ."

2. In Colin Legum's "The Soviet Union, China and the West in Southern Africa": on page 757, fifth line from the bottom, the phrase "(which holds the mandate over the territory)" should be deleted.

3. In Paul L. Joskow's "The International Nuclear Industry Today": on page 794, lines 9 and 10, the sentence should be deleted. ASEA-Atom did not submit a bid for these orders.

October 1976

1. In Yigal Allon's "Israel: The Case for Defensible Borders":

a. As more fully explained in the Editor's Note of this issue, the illustrative lines on the map on page 45 were prepared by the editors of *Foreign Affairs* and were not approved by the author. Accordingly, all references to the map in the text should be deleted.

b. Specifically: on page 40, line 34, for "the map" read "a map"; on page 44, line 41, "As can be observed from the accompanying map," should be deleted, and for "the" read "The."

2. In Bernard Lewis' "The Anti-Zionist Resolution": on page 54, line 1, the year should be 1975.

3. In Amory B. Lovins' "Energy Strategy: The Road Not Taken?": on page 74, line 8, for "29" read "12"; on page 83, footnote 25, line 2, for "225–60" read "255–60"; on page 86, footnote 28, line 1, for "Linköping" read "Enköping"; on page 91, line 37, for "Section II" read "Section III."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED